

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 229 (Delegates Rudolph and Haynes)
 Health and Government Operations

Senior Citizen Prescription Medicine Relief Act of 2005

This bill requires a pharmacy that participates in the Medicaid program to charge Medicare beneficiaries a price for prescription drugs that does not exceed the price charged to Medicaid recipients plus the Medicaid program’s cost for electronic transmissions of claims data. Medicare beneficiaries are not entitled to the Medicaid reimbursement rate for over-the-counter medications or compounded prescriptions. The Department of Health and Mental Hygiene (DHMH) must: (1) provide a mechanism to calculate and transmit the price of a prescription drug to the pharmacy; (2) monitor pharmacy participation and compliance; and (3) report by December 1 of each year to the General Assembly information concerning pharmacies that discontinue participation in the Medicaid program and the reasons given for discontinuation.

The bill terminates September 30, 2008.

Fiscal Summary

State Effect: Medicaid general fund expenditures increase by \$369,900 beginning in FY 2006. Future year estimates reflect inflation and the bill’s termination date. No effect on revenues.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	369,900	272,600	275,400	69,500	0
Net Effect	(\$369,900)	(\$272,600)	(\$275,400)	(\$69,500)	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The Maryland Pharmacy Assistance Program provides prescription drugs to low-income residents who earn less than 116% of the federal poverty level guidelines (FPG). Enrollees pay a \$2.50 or \$5.00 copayment for each prescription filled.

The Maryland Pharmacy Discount Program permits a Medicare-eligible individual with income between 116% and 175% FPG to purchase prescription drugs at 65% of the Medicaid payment level. Program enrollees also pay the pharmacists a \$1 processing fee.

The Senior Prescription Drug Program provides prescription drug insurance to Medicare beneficiaries. Enrollment is limited to Medicare-eligible individuals who have incomes below 300% FPG. There is no deductible, but enrollees pay a \$10 monthly premium in addition to a tiered copayment depending on the type of drug. Benefits are limited to \$1,000 annually.

Background: Medicare is the nation's largest health insurance program, covering over 39 million individuals who are either at least age 65 or disabled. The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 establishes a voluntary prescription drug benefit as Medicare Part D. It is slated to begin providing comprehensive drug coverage in January 2006. Until then, the plan provides a discount prescription drug card, giving all Medicare enrollees a discount on prescription drugs and providing a subsidy to certain low-income enrollees.

The comprehensive drug coverage that begins in 2006 includes a \$35 monthly premium, a \$250 annual deductible, and 25% cost sharing up to the initial \$2,250 coverage limit. If an enrollee purchases additional drugs beyond the \$2,250 limit, the enrollee must pay all costs of drugs between \$2,250 and \$3,600 the first year. If an enrollee spends more than \$3,600, the enrollee is subject to 5% cost sharing or certain low copayments.

Approximately two-thirds of all Medicare beneficiaries receive some type of prescription drug benefit through private health insurance. There are approximately 674,000 seniors over the age of 65 in Maryland, 222,000 of whom do not have prescription drug coverage.

State Fiscal Effect: General fund expenditures could increase by \$369,937 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects one-time expenditures of \$75,000 for computer programming and \$25,000 for outreach

services. It also reflects DHMH's payments for electronic transmissions to its point-of-sale contractor that processes prescription drug claims for Medicaid. Electronic transmission costs (\$269,937) are based on the following facts and assumptions:

- there are 674,000 Medicare beneficiaries in Maryland;
- 168,500, or 25%, of Medicare beneficiaries will not sign up for Medicare Part D prescription drug coverage;
- 84,250 (50%) will purchase discounted drugs;
- the average Medicare beneficiary will purchase 24 prescriptions annually; and
- DHMH's cost for electronic transmissions is \$0.178 per transmission.

Future year estimates reflect annualization, inflation, and the bill's September 30, 2008 termination date.

Small Business Effect: There are approximately 1,100 pharmacies in Maryland, 275 of which are small businesses.

Additional Information

Prior Introductions: An identical bill, HB 725 of 2003, was not reported by the Health and Government Operations Committee.

Cross File: None.

Information Source(s): *Medicare and Prescription Drugs* (March 2000), Kaiser Family Foundation; *Report on the Possibility of a Buy-In Prescription Assistance Program* (December 6, 2000), Department of Health and Mental Hygiene (Medicaid, Boards and Commissions, Maryland Health Care Commission); U.S. Health Care Financing Administration; AARP; *The Clinton-Gore Administration Plan to Strengthen Medicare for Women* (July 27, 1999), The White House; U.S. Census Bureau; Department of Legislative Services

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