

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1701 (Delegates Bohanan, *et al.*)
 Health and Government Operations

Finance

Maryland AIDS Drug Assistance Program - Rebates - Special Fund

This bill specifies that any rebates received by the Department of Health and Mental Hygiene from the Maryland AIDS Drug Assistance Program (MADAP) must be distributed to a special fund to be used only to fund MADAP.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: General fund revenues would decrease by \$11.3 million FY 2007 only and DHMH special fund revenues and expenditures could each increase by \$11.3 million in FY 2007 as drug rebate funds are diverted from the general fund and distributed instead into the new special fund to be expended on MADAP costs. Accordingly, DHMH general fund expenditures would decrease by \$6.0 million and federal fund expenditures by \$5.3 million in FY 2007. Future year estimates reflect prescription drug inflation.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$11.3)	\$0	\$0	\$0	\$0
SF Revenue	11.3	12.9	14.7	16.7	19.0
GF Expenditure	(6.0)	0	0	0	0
SF Expenditure	11.3	12.9	14.7	16.7	19.0
FF Expenditure	(5.3)	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Federal law specifies that monies received as a result of participating in the federal AIDS Drug Assistance 340B rebate option are subject to State rules concerning program income. State law requires program income be paid into the State Treasury unless the agency has statutory authority to keep the income. DHMH has no such authority with respect to the AIDS Administration. Program income in excess of appropriations must be reverted to the general fund.

Background: MADAP assists persons diagnosed with HIV/AIDS who meet certain income eligibility criteria (from \$10,800 to \$46,550 for a single person in fiscal 2007) with their HIV/AIDS-related drug costs. Enrollees are certified as eligible for one-year terms, after which they must reapply.

Through MADAP, the State receives rebate funds for the drugs purchased through the program. In past years, the drug rebate funds have gone back to the AIDS Administration. Some of the rebate funds go directly back into MADAP, and some accrue and carry over to the next fiscal year.

The fiscal 2007 budget allowance changes the accounting of the drug rebate funds. Instead of the rebates going back to the AIDS Administration, the funds will go into the State's general fund. Until this year, the AIDS Administration's budget was formulated with the understanding that the drug rebates would help cover the cost of MADAP. In other words, the legislative appropriation would underfund MADAP with the understanding that the AIDS Administration would receive a certain amount in drug rebates throughout the year that would make up the difference.

In fiscal 2007, the AIDS Administration estimates the receipt of \$11.3 million from drug rebates that will go directly into the general fund. To cover the cost of MADAP, the AIDS Administration is provided \$6 million general funds and \$5.3 million federal funds (the draw-down of an existing fund balance) in the proposed fiscal 2007 budget. Therefore MADAP is fully funded with the fiscal 2007 budget allowance. There is some disagreement about whether the drug rebates earned through federal fund expenditures are able to be redirected to the general fund and spent on other purposes.

State Fiscal Effect: DHMH special fund revenues and expenditures could each be \$11,345,194 in fiscal 2007 from the establishment of a special fund into which MADAP drug rebates must be distributed and used to fund MADAP. The establishment of a special fund eliminates the deposit of the rebate revenues in the general fund. Further, it

eliminates the need to draw down a fund balance (\$5.3 million federal funds) to cover MADAP expenditures, although these monies are still included in the budget for that purpose. Future year estimates reflect 13.8% prescription drug inflation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (AIDS Administration), Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 22, 2006
nas/jr Revised - House Third Reader - March 28, 2006

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510