

**Department of Legislative Services
Maryland General Assembly
2006 Session**

**FISCAL AND POLICY NOTE
Revised**

House Bill 702 (Chair, Health and Government Operations Committee, *et al.*)
(By Request – Departmental – Insurance Administration, Maryland)
Health and Government Operations Finance

Maryland Health Insurance Plan - Senior Prescription Drug Assistance Program

This emergency departmental bill alters the purpose of the State subsidy provided by the Senior Prescription Drug Assistance Program (SPDAP) to enrollees who participate in the Medicare Part D prescription drug program. In addition, it extends the SPDAP termination date from June 30, 2007 to December 31, 2007.

Fiscal Summary

State Effect: Maryland Health Insurance Plan (MHIP) special fund expenditures would continue beyond the June 30, 2007 termination date and could be as much as \$14.0 million in FY 2008. No effect on revenues.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The subsidy may be used to pay for all or some of the deductibles, coinsurance payments, premiums, and copayments. SPDAP may provide the subsidy to the maximum number of individuals eligible for enrollment in SPDAP, subject to available funds.

SPDAP may annually provide an additional subsidy, up to the full amount of the Medicare Part D prescription drug plan premium, for individuals who qualify for a partial federal low-income subsidy.

The bill limits funding for SPDAP to \$14.0 million in fiscal 2008. The bill also extends the SPDAP termination date from June 30, 2007 to December 31, 2007. MHIP may structure the benefit subsidy to cover any out-of-pocket costs that an SPDAP enrollee may incur for prescription drugs. MHIP may not spend any remaining funds from the Senior Prescription Drug Program that may accrue to the SPDAP account without the approval of the General Assembly.

MHIP must maintain a waiting list of individuals who meet the eligibility requirements for SPDAP but who are not served by SPDAP due to funding limitations. The MHIP board must report to the General Assembly by January 1 annually on: (1) the number of individuals on the waiting list; and (2) the number of enrollees with out-of-pocket prescription drug costs that exceed \$2,250 (by fiscal quarter) and the total annual out-of-pocket prescription drug costs for enrollees.

The bill applies to individuals enrolled in SPDAP beginning January 1, 2006.

Current Law: SPDAP, administered by the Maryland Health Insurance Plan (MHIP), provides Medicare Part D beneficiaries who meet program eligibility requirements with a State subsidy that pays for a portion of their: (1) Medicare Part D premium and deductible; or (2) Medicare Advantage Plan premiums and deductibles related to prescription drug benefits.

To be eligible for SPDAP, a Medicare Part D beneficiary must: (1) have an income that is at or less than 300% of the federal poverty level guidelines (FPG) (see **Exhibit 1**); (2) be enrolled in Medicare Part D (but not enrolled in another health benefit plan beyond Medicare or a Medicare Advantage plan); and (3) not be eligible for the full low-income subsidy from the federal government for their Medicare Part D plan. SPDAP terminates June 30, 2007.

Background: The existing statute limits the applicability of the subsidy to premiums and deductibles only. MHIP has recently learned that this limitation may result in discrimination among enrollees and the number of prescription drug plans available for Medicare Part D enrollees.

The bill would permit MHIP to allocate the subsidy to members' cost-sharing expenses, including premiums, deductibles, copayments, and coinsurance. Expanding the scope of the subsidy brings the current statute into federal compliance, permitting SPDAP to maintain its federal status of a qualified State Pharmacy Assistance Program. This

designation would enable MHIP to continue to have access to federal grant funds and the federal Centers for Medicare and Medicaid Services online enrollee database. Further, the subsidy would count toward members' out-of-pocket expenses, helping them to meet the catastrophic spending limit more quickly.

Prior to the implementation of the federal Medicare Part D prescription drug program in January 2006, SPDAP was called the Senior Prescription Drug Program (SPDP) and provided prescription drug coverage for lower-income beneficiaries. When Part D was implemented in January 2006, SPDP coverage ceased and SPDAP wrap-around benefits began. There is approximately \$2.0 million remaining in the SPDP account. Under the bill, SPDAP may not use these funds without express General Assembly authorization.

SPDAP has approximately 35,000 enrollees. MHIP also sent out 9,000 additional applications to potentially eligible individuals. The fiscal 2007 budget contains \$14.0 million for this program.

State Fiscal Effect: MHIP special fund expenditures would continue beyond June 30, 2007 and could be as much as \$14.0 million in fiscal 2008. The bill extends the SPDAP termination date from June 30, 2007 to December 31, 2007. In addition, the bill limits SPDAP funding to \$14.0 million in fiscal 2008. It is assumed MHIP would expend the entire \$14.0 million in fiscal 2008 to provide the State subsidy to assist enrollees with paying deductibles, coinsurance payments, premiums, and copayments.

The bill's requirements to create and maintain a waiting list and make required annual reports to the General Assembly could be handled with existing budgeted resources.

Additional Comments:

Exhibit 1
2006 Federal Poverty Level Guidelines*

<u>Family Size</u>	<u>300% FPG</u>
1	\$29,400
2	\$39,600
3	\$49,800

**Federal Register Vol. 71, Number 15, pp. 3848-3849.*

Additional Information

Prior Introductions: None.

Cross File: SB 283 (Chairman, Finance Committee)(By Request – Departmental – Insurance Administration, Maryland) – Finance.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2006
mam/jr Revised - House Third Reader - March 13, 2006

Analysis by: Susan D. John

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