

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 135 (Delegate Hixson, *et al.*)
Ways and Means and Health and Government Operations

Prescription Drugs - Label with Audible Capability

This bill requires licensed pharmacies to provide prescription labels that have audible capability upon request from a customer with a documented vision impairment. The bill also creates a subtraction modification under the personal income tax for the purchase of devices that create or read prescription labels with audible capability.

Fiscal Summary

State Effect: Minimal decrease in general funds in FY 2007 due to subtraction modifications being claimed against the personal income tax. Potential significant decrease in general funds in FY 2008 and beyond to the extent that substantial numbers of consumers purchase devices that read prescription labels with audible capability. No effect on expenditures.

Local Effect: Minimal decrease in local revenues in FY 2007 due to subtraction modifications being claimed against the personal income tax. Potential significant decrease in local revenues in FY 2008 and beyond. No effect on expenditures.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The subtraction modification is available to taxpayers who purchase equipment that either produces or reads prescription labels with audible capability. The subtraction modification is equal to 100% of the purchase price; however, the total amount subtracted by a taxpayer may not exceed \$250 for devices that read audible-

capable labels and \$1,000 for devices that produce these labels. The subtraction modification is available in tax years 2006 and beyond.

The bill defines prescription labels with audible capability as having the ability to be read by a device that speaks out information using speech synthesis technology.

Current Law: No State subtraction modification of this type exists. Businesses can typically deduct the cost of purchasing audible-label technology equipment, resulting in a lower federal and State tax liability.

Drugs that are dispensed under a prescription must include certain label information including: (1) the name and address of the dispenser; (2) the serial number of the prescription; (3) the date of the prescription; (4) the name of the prescriber; and (5) if stated in the prescription the name of the patient, directions for use, and cautionary statements.

Background: Prescriptions with audible capability employ “smart labels” that are affixed to the prescription bottle and contain embedded radio frequency identification (RFID)-based microchips. The microchips are preprogrammed with information at a pharmacy. The information on the microchip is translated to audible speech when the patient (or pharmacist checking the validity of a prescription) engages the bottle’s label with a special reading device, allowing the individual to hear the information. The labels are designed to assist people who take medication and have difficulty reading, thereby potentially preventing medication errors. One manufacturer currently sells audible prescription label makers for approximately \$1,500 and readers for \$325.

In October 2004, the U.S. Department of Veterans Affairs began a phased implementation at medical centers requiring that any veteran who needs prescription labels with audible capability and services associated with them have access to these services.

The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required the Department of Health and Human Services to undertake a study and report to Congress on how to make prescription pharmaceutical information, including drug labels and usage instructions, accessible to blind and visually impaired individuals. To date, the study has not been released.

State Revenues: Personal income tax revenues could decrease minimally in tax year 2006, resulting in a minimal general fund revenue decrease in fiscal 2007. General fund revenues could decrease substantially in fiscal 2008 and beyond due to purchases of devices that read audible prescription labels.

According to the State Board of Pharmacy, there are 1,549 licensed pharmacies – 1,106 in-State and 340 out-of-state. Of the in-State pharmacies, 140 are independent pharmacies; 722 are chain pharmacies such as Giant, CVS, and Rite-Aid; and the rest are either nonprofits or government-related. It is assumed that a minimal number of these pharmacies are pass-through entities that would claim the subtraction modifications as provided by the bill.

The market for devices that read audible prescription labels is currently relatively limited, and mostly involves purchases stemming from the program instituted by the U.S. Department of Veterans Affairs. Several companies sell these devices online, but these sales are limited. Three companies produce these devices. To the extent that market demand increases, it is assumed that production could not be increased until 2007 at the earliest.

Small Business Effect: Approximately one-quarter of licensed pharmacists are small businesses. These small businesses would be required to purchase equipment that reads and produces prescription labels with audible capability. Up to \$1,250 of this cost could be deducted in the tax year in which the equipment was purchased, which translates to a maximum benefit of approximately \$59 for pharmacies that file under the personal income tax. These small businesses would be negatively affected by decreased cash flow and the cost of equipment that is not reimbursed by the subtraction modification. These pharmacists would unlikely be able to pass the price along to prescription drug consumers given that prescriptions are typically paid by third-party insurers.

Additional Information

Prior Introductions: HB 195 of 2005, a similar bill, was not reported from the House Ways and Means and Health and Government Operations Committees.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Board of Pharmacy, Department of Legislative Services

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