

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 697 (Chair, Health and Government Operations Committee, *et al.*)
 (By Request – Departmental – Health and Mental Hygiene)

Health and Government Operations

Finance

**Department of Health and Mental Hygiene - Kidney Disease Program -
 Eligibility Requirements**

This departmental bill provides that the Department of Health and Mental Hygiene (DHMH) must require Kidney Disease Program recipients to apply for eligibility in the Medicare Part D prescription drug program within 60 days of notification to do so by DHMH. DHMH may not require program recipients to apply for Part B or Part D if DHMH determines a program recipient has comparable insurance coverage.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: DHMH general fund expenditures could decrease by approximately \$1.28 million in FY 2007. Future year estimates reflect inflation. The FY 2007 State budget includes a \$1.28 million general fund reduction contingent upon enactment of legislation requiring program beneficiaries to enroll in Medicare Part D. No effect on revenues.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(1.28)	(1.45)	(1.64)	1.85	(2.10)
Net Effect	\$1.28	\$1.45	\$1.64	(\$1.85)	\$2.10

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

Local Effect: None.

Small Business Effect: DHMH 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

Current Law: The Kidney Disease Program is a program within DHMH that provides coverage for kidney disease treatment for qualified individuals who elect to enroll in the program and agree to pay specified fees. DHMH may require program recipients to apply for eligibility in Medicaid and the Medicare Part B Program.

Background: Contingent on the enactment of legislation, the fiscal 2007 State budget would reduce the general fund allowance of the Kidney Disease Program by about \$1.28 million. The savings would be realized by requiring Kidney Disease Program participants who are eligible for Medicare to enroll in the Medicare Part D rather than receive their prescription drugs through the Kidney Disease Program. The program would continue to provide drugs not covered through Medicare if the drugs appear on the program's formulary.

The impact of the proposed change on the out-of-pocket expenses of program participants will vary by person. While the Kidney Disease Program plans to cover Medicare required copayments and deductibles for drugs on the Kidney Disease Program formulary, the program will not pay the monthly Medicare premium of \$15 - \$35 per person. Enrollee premium costs will be at least partially offset by savings from Medicare subsidizing the purchase of prescription drugs not included on the Kidney Disease Program formulary. Currently, program participants pay 100% of the costs of drugs that are not included on the formulary.

Medicare Part D coverage, which began in January 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 \$5,100 the first year. If an enrollee spends more than \$3,600 total out-of-pocket, the enrollee is subject to 5% cost sharing or certain low copayments.

State Fiscal Effect: DHMH general fund expenditures could decrease by \$1,281,200, beginning in fiscal 2007. There are approximately 1,820 program enrollees who would qualify for Medicare Part D coverage. Under Part D, about \$660 of their annual drug costs would be covered by the federal program, thus reducing Kidney Disease Program expenditures by \$1,201,200. The Kidney Disease Program would save an additional \$80,000 from processing fewer drug claims. Future year savings estimates reflect 1% annual inflation in administrative costs and 13.8% annual prescription drug inflation. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid),
Department of Legislative Services

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ncs/jr Revised - Correction - March 25, 2006
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Analysis by: Susan D. John

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