

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

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1467

(Delegate Hubbard, *et al.*)

Health and Government Operations

Finance and Budget and Taxation

**Maryland Cares**

This emergency bill establishes the Medicare Part D Stopgap Program in the Maryland Department of Aging (MDoA).

The bill terminates June 30, 2007.

**Fiscal Summary**

**State Effect:** MDoA general fund expenditures and revenues could each increase by \$363,300 in FY 2006 and \$1.6 million in FY 2007. The FY 2007 budget includes \$2.0 million for this purpose, contingent on the enactment of this bill.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	\$363,300	\$1,636,800	\$0	\$0	\$0
GF Expenditure	363,300	1,636,800	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:** Local area agencies on aging (AAAs) expenditures increase by \$2.0 million to provide assistance to Medicare Part D enrollees.

**Small Business Effect:** Minimal.

**Analysis**

**Bill Summary:** The purpose of the program is to assist Medicare beneficiaries (including beneficiaries with disabilities and those who are at least 65 years old) in

obtaining Medicare Part D prescription drug benefits. The Governor may provide \$2 million to MDoA in the fiscal 2007 budget for distribution to local area agencies on aging for outreach, education, and counseling of individuals regarding Medicare Part D. The authorized appropriation must be apportioned by jurisdiction based on the latest census of individuals who are eligible for Part D and the number of dually-eligible individuals in the jurisdiction.

The Department of Health and Mental Hygiene (DHMH) must collect statewide data on health problems, including emergency room visits and hospitalizations resulting from lapses or changes in medications. MDoA and DHMH must collaborate in the collection of statewide data on the resolution of issues related to the implementation of Medicare Part D and problems obtaining needed medications due to formulary and preauthorization restrictions.

DHMH, in coordination with MDoA, must apply to the federal Centers for Medicare and Medicaid Services (CMS) for reimbursement of allowable expenditures under the program. Any federal reimbursement received by the State must revert to the general fund. MDoA and DHMH must issue an interim report by September 1, 2006 and a final report by June 30, 2007 on the data collected and the federal reimbursement requested under the program.

A local area agency on aging that receives funding under the stopgap program must provide counseling and assistance for Medicare beneficiaries. Counseling and assistance must include: (1) assistance in determining eligibility for Medicare Part D; (2) assistance in enrolling in Medicare Part D; (3) a pharmacy benefit checkup, as appropriate; (4) assessment of the need and eligibility for emergency pharmacy access, the federal low-income subsidy, and the Senior Prescription Drug Assistance Program; and (5) assistance with any other problems related to the Medicare Part D benefit. A local area agency must also provide community outreach and education to encourage enrollment in Medicare Part D.

MDoA must provide pharmacies and Medicare beneficiaries with local area agency on aging contact information and a description of the assistance available from the AAAs. This information must be made available on the MDoA and DHMH web sites.

MDoA and DHMH must disseminate information through their web sites, public service announcements, and direct communications with providers, information about the toll-free telephone number for reporting Medicare Part D problems, including problems obtaining needed medications due to formulary and preauthorization restrictions. A local area agency that receives funding under the stopgap program must conduct a community

outreach and education campaign that includes the use of local media outlets to disseminate information about Medicare Part D.

It is the intent of the General Assembly that the Governor work with the National Governors Association to relay State concerns to the federal government regarding the amount of federal money available for outreach and assistance on Medicare Part D; and advocate for additional federal funding and reimbursement for State outreach and education on Medicare Part D, including for federal reimbursement of the funding provided for State outreach and assistance under the bill.

**Current Law:** None applicable.

**Background:** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 makes comprehensive prescription drug coverage under Medicare Part D available to all Medicare beneficiaries through prescription drug plans (PDPs) or Medicare Advantage plans. Approximately 100,000 of the 700,000 Medicare beneficiaries in Maryland are full benefit dual eligibles, *i.e.*, beneficiaries enrolled in both Medicare and Medicaid.

Both before and since the January 1, 2006 implementation of Medicare Part D, a variety of problems have been reported, including:

- difficulty in understanding program costs and benefits;
- difficulty in enrolling in a PDP appropriate to a beneficiary's drug needs and financial circumstances;
- beneficiary's drug not on PDP formulary;
- low-income beneficiaries overcharged;
- beneficiary's drug subject to prior authorization or step therapy; and
- inability to get through to PDP or CMS to resolve problems.

These problems prompted CMS to take several steps, including requiring PDPs to provide up to 90 days of transitional coverage for a beneficiary's current drugs and providing for states to be reimbursed for administrative expenses or pharmacy costs incurred on behalf of Medicare beneficiaries.

DHMH applied for the federal reimbursement on February 13, 2006 to receive 100% federal funding for the costs incurred by the State in providing assistance and the costs of prescriptions paid by State for Medicare Part D beneficiaries.

MDoA and the 19 AAAs offer information and assistance with Medicare and other insurance through SHIP, the Senior Health Insurance Assistance Program. Each of the 19 AAAs has a designated SHIP coordinator, as well as trained volunteers who will be answering telephone calls and counseling clients. There are approximately 130 SHIP volunteers statewide. Each area agency has put together plans to offer many public seminars focusing on Medicare Prescription Drug Coverage.

Prior to implementation of Medicare Part D, DHMH provided pharmacy benefits to low-income Medicare beneficiaries through the Medicaid, Maryland Pharmacy Assistance, and Pharmacy Discount programs. DHMH has provided education and assistance to these beneficiaries and, in some cases, paid for drugs on an emergency basis.

**State Fiscal Effect:** MDoA general fund revenues and expenditures could each increase by \$363,250 in fiscal 2006 and by \$1,636,750 in fiscal 2007. These funds will be used to provide \$2 million to local AAAs to provide outreach, education, and counseling to individuals regarding Medicare Part D. The fiscal 2007 budget includes \$2 million (general funds) for this purpose, contingent on the enactment of this bill, of which \$363,250 is a deficiency appropriation for fiscal 2006. MDoA will apply to the federal government for reimbursement of these funds. It is assumed that MDoA would receive 100% reimbursement for these expenditures, which will be returned to the general fund. It is assumed that MDoA would expend about \$363,250 and receive federal reimbursement in fiscal 2006, with the remainder expended and reimbursed in fiscal 2007.

MDoA and DHMH could handle the bill's other requirements, such as providing information on Medicare Part D on their respective web sites and direct communications with providers, with existing budgeted resources.

**Local Fiscal Effect:** AAAs would receive \$2 million from the fund to carry out counseling, assistance, and advertising. The monies would be distributed as shown in **Exhibit 1**.

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**Exhibit 1**  
**Distribution of Funds by County/Baltimore City**

MDoA	\$8,010
Allegany	69,861
Anne Arundel	148,941
Baltimore	266,894
Baltimore City	226,861
Calvert	36,002
Caroline	21,082
Carroll	80,171
Cecil	60,510
Charles	60,530
Dorchester	26,147
Frederick	79,969
Garrett	21,475
Harford	88,941
Howard	72,793
Kent	21,379
Montgomery	232,415
Prince George's	179,304
Queen Anne's	22,952
St. Mary's	39,929
Somerset	18,015
Talbot	34,658
Washington	79,635
Wicomico	55,745
Worcester	47,782
<b>Total</b>	<b>2,000,000</b>

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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