

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

**FISCAL AND POLICY NOTE**

House Bill 1699 (Delegate Bohanan)  
 Health and Government Operations

**Department of Health and Mental Hygiene - Cost of Dispensing Prescription  
 Drugs - Study**

This bill requires the Department of Health and Mental Hygiene (DHMH) to conduct an annual study to determine: (1) the average “cost of dispensing” prescription drugs in the State; and (2) the average additional cost of dispensing Medicaid prescriptions in the State. The bill specifies factors DHMH must consider when determining the average additional cost of dispensing a Medicaid prescription. Further, the bill specifies the steps DHMH must take if it chooses to have a higher education institution or private entity conduct the study. The results of the study must be published publicly. By December 1 annually, DHMH must submit the study and other data to the Governor and the General Assembly, and use the findings to establish the dispensing fees for dispensing Medicaid prescription drugs.

**Fiscal Summary**

**State Effect:** Medicaid expenditures could increase by \$562,600 (50% general funds, 50% federal funds) to contract with an outside vendor to conduct the required study. Medicaid drug dispensing fees could either increase or decrease by a significant amount, depending on study results. Future year estimates reflect ongoing contracting costs.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	281,300	378,800	382,500	386,400	390,200
FF Expenditure	281,300	378,800	382,500	386,400	390,200
Net Effect	(\$562,600)	(\$757,600)	(\$765,000)	(\$772,800)	(\$780,400)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** None applicable.

**State Fiscal Effect:** Medicaid expenditures could increase by \$562,500 (50% federal funds, 50% general funds) in fiscal 2007 to contract with an outside vendor to conduct the study. Future year estimates reflect ongoing contracting costs. This estimate is based on a comparable contract DHMH has issued with an outside consultant to provide auditing services for its nursing home programs.

Furthermore, Medicaid prescription drug costs could increase or decrease by a significant amount, depending on how Medicaid must adjust its prescription drug dispensing fees in accordance with study results. Currently, Medicaid pays a \$3.69 dispensing fee for generic and preferred drugs, and a \$2.69 dispensing fee for nonpreferred drugs. There are insufficient data to reliably estimate any increase or decrease.

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## Additional Information

Prior Introductions: None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 21, 2006  
nas/jr

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