

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 972 (Chair, Finance Committee) (By Request – Departmental – Insurance Administration, Maryland)

Finance

Health Insurance - Maryland Health Insurance Plan - Senior Prescription Drug Assistance Program - Extension of Sunset

This departmental bill extends the termination date for the Senior Prescription Drug Assistance Program (SPDAP) from December 31, 2007 to December 31, 2009. The bill also corrects obsolete statutory references.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: Maryland Health Insurance Plan (MHIP) special fund revenues and expenditures would be maintained through the first half of FY 2010 (December 31, 2004).

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: SPDAP provides a subsidy of up to \$25 per month toward premium expenses for eligible low-income participants. To qualify, an individual must • be a Maryland Medicare recipient enrolled in a Medicare Rx or Medicare Advantage Prescription Drug plan who is not eligible for full federal assistance as determined by the

Social Security Administration; and • have an income of less than 300% of federal poverty guidelines (in 2007, \$30,630 for an individual and \$41,070 for a couple). The program terminates December 31, 2007.

Funding for SPDAP is provided by CareFirst as a condition of earning its premium tax exemption as a nonprofit health service plan. CareFirst's subsidy of SPDAP may not exceed \$14.0 million for fiscal 2007 or 2008 and, for any year, may not exceed the value of CareFirst's premium tax exemption.

Background: SPDAP has approximately 35,000 enrollees. The Governor's proposed fiscal 2008 budget contains \$14.0 million (special funds) for this program. 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. The initial termination date for SPDP was the earlier of June 30, 2005 or the availability of comparable prescription drug benefits provided by Medicare. Chapter 282 of 2005 restructured SPDP into SPDAP and extended the termination date until June 30, 2007. Chapter 345 of 2006 further extended the termination date to December 31, 2007.

State Fiscal Effect: MHIP special fund revenues and expenditures would continue beyond December 31, 2007. The amount of funding required to be provided to SPDAP by CareFirst in fiscal 2009 is not specified in the bill, but is capped under current law at no more than the value of CareFirst's premium tax exemption. According to the Maryland Insurance Administration, the value of CareFirst's premium tax exemption for calendar 2006 was \$22.9 million.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

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