

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Joint Resolution 8 (Senator Klausmeier, *et al.*)

Finance

Rules and Executive Nominations

Federal Legislation Regarding Medicare Part D

This joint resolution urges enactment of federal legislation that would revise the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 to simplify premiums, deductibles, copayments, and formularies in plans made available to Medicare beneficiaries and to encourage more insurers participating in Medicare to provide options that include coverage in the “donut hole.”

Fiscal Summary

State Effect: Compliance with this joint resolution would not directly affect State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a voluntary prescription drug benefit for Medicare beneficiaries (“Part D”). Typically, enrollees pay 25% of the cost of their drugs until their total drug costs reach an initial coverage limit (\$2,400 in 2007). Once an initial coverage limit is met, enrollees enter a coverage gap (or “donut hole”) and must pay all drug costs until they reach an annual out-of-pocket threshold (\$3,850 in 2007). Once this threshold is exceeded, enrollees pay 5% of drug costs. According to an analysis by Actuarial Research Corporation for the Kaiser Family Foundation, approximately

4 million Medicare beneficiaries nationally were projected to have spending in the coverage gap in 2006.

Assistance with monthly premiums, annual deductibles, and prescription copayments are available for low-income individuals through the Social Security Administration (SSA).

Maryland's Senior Prescription Drug Assistance Program 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 SSA; 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).

More than 150 pharmaceutical companies offer patient assistance programs. These programs help low-income individuals without prescription drug coverage access medications. Since the establishment of Part D, some patient assistance programs have discontinued assistance to Part D enrollees due to their new Medicare drug coverage and in part due to concerns that the programs could violate federal anti-kickback rules.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene; Maryland Insurance Administration; *Medicare: The Medicare Prescription Drug Benefit Fact Sheet*, Kaiser Family Foundation (November 2006); *BNA Health Care Daily Report*, Volume 11, Number 17 (January 26, 2006), Centers for Medicare and Medicaid Services; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2007
ncs/jr Revised - Senate Third Reader - March 28, 2007

Analysis by: Jennifer B. Chasse

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