

**Department of Legislative Services**  
Maryland General Assembly  
2009 Session

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

House Bill 1472

(Chair, Health and Government Operations Committee)(By  
Request - Departmental - Health Insurance Plan)

Health and Government Operations

Finance

**Health Insurance - Senior Prescription Drug Assistance Program - Funding**

This departmental bill clarifies funding for the Senior Prescription Drug Assistance Program (SPDAP) provided by CareFirst BlueCross BlueShield and alters specified requirements relating to SPDAP funding to simplify administration of the program.

The bill takes effect July 1, 2009.

**Fiscal Summary**

**State Effect:** The bill clarifies current law and makes procedural changes. While the amount of funding provided by CareFirst to SPDAP does not change under the bill, the timing by which the funding is received is altered. Of the \$4.0 million in funding for calendar 2010, only \$3.0 million is received in FY 2010; the remaining \$1.0 million is received in FY 2011. Total funding remains the same, and SPDAP operations are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	(\$1.0)	\$1.0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$1.0)	\$1.0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** The Maryland Health Insurance Plan (MHIP) 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

**Bill Summary:** The bill clarifies that there are two subsidies provided to SPDAP: (1) a subsidy under § 14-106 of the Insurance Article, which funds the SPDAP premium subsidy and is capped at \$14.0 million in fiscal 2010; and (2) a subsidy under § 14-106.2 of the Insurance Article, which provides assistance with the Medicare Part D coverage gap and is provided in an amount of \$4.0 million in years in which CareFirst incurs a specified surplus.

The bill also alters the timing of the second subsidy to simplify administration of SPDAP. Beginning with calendar 2009, CareFirst must transfer \$4.0 million to SPDAP if it has a surplus that exceeds 800% of specified consolidated risk-based capital (RBC) requirements. CareFirst is not required to make the transfer if its surplus does not exceed the specified level. The RBC threshold for determining the transfer is based on the corporation's annual March 1 filing the Maryland Insurance Administration. By September 1 of each year, CareFirst has to notify SPDAP whether it will transfer the \$4.0 million subsidy during the next calendar year. CareFirst must pay the \$4.0 million subsidy to SPDAP in quarterly installments of \$1.0 million beginning October 1.

**Current Law:** SPDAP provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. Chapters 557 and 558 of 2008 require CareFirst, beginning January 1, 2009, to annually provide \$4.0 million to SPDAP. Funds must be provided only if CareFirst's surplus exceeds 800% of the consolidated RBC for the preceding calendar year. Funds must be used to subsidize the Medicare Part D coverage gap. SPDAP must provide an annual subsidy up to the full amount of the Medicare Part D coverage gap, subject to the availability of funds. SPDAP terminates December 31, 2010.

**Background:** Following passage of Chapters 557 and 558, it was unclear whether the \$4.0 million coverage gap subsidy was to be a part of the original premium subsidy (and thus subject to the \$14.0 million cap in fiscal 2010) or if it was to be in addition to the original subsidy. The bill clarifies that there are two separate subsidies.

According to MHIP, the bill's procedural changes are necessary to address timing problems in the current law that make it difficult to administer Medicare Part D coverage gap assistance. Medicare prescription drug plans operate on a calendar year basis. Thus, SPDAP must notify the plans by the end of September about the level of coverage gap assistance that will be provided to enrollees in the following plan year. Further, CareFirst does not know whether it has the RBC surplus that triggers the subsidy until late February.

With the new coverage gap subsidy, SPDAP will increase the total assistance available to enrollees from \$300 to \$1,500 per year. An estimated 29,400 individuals are enrolled in SPDAP in fiscal 2009, and enrollment is expected to increase to 34,300 in fiscal 2010. The Governor's proposed fiscal 2010 budget includes \$18.3 million in funding for SPDAP.

CareFirst's surplus was below 800% of the consolidated RBC in calendar 2008 and is anticipated to decline in the near future; however, CareFirst voluntarily agreed to contribute the \$4.0 million to SPDAP for calendar 2009. According to MHIP, CareFirst has already begun providing the subsidy in quarterly installment payments as proposed under the bill. The first two payments of \$1.0 million were received in October 2008 and January 2009.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** CareFirst Blue Cross Blue Shield, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 24, 2009  
ncs/mwc Revised - House Third Reader - April 3, 2009

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Insurance – Senior Prescription Drug Assistance Program -  
Funding

BILL NUMBER: HB 1472

PREPARED BY: Maryland Health Insurance Plan

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

  X   WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

OR

       WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.