

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 67

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

Health and Government Operations

Finance

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Senior Prescription Drug Assistance Program - Sunset Extension

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This departmental bill extends the termination date of the Senior Prescription Drug Assistance Program (SPDAP) by two years to December 31, 2012. The current \$14.0 million cap on the subsidy required for SPDAP is extended through fiscal 2013.

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Fiscal Summary

**State Effect:** Maryland Health Insurance Plan (MHIP) special fund revenues and expenditures for SPDAP would be maintained through the first half of FY 2013. The Governor's proposed FY 2011 budget includes funding for the continuation of SPDAP for the full fiscal year, but \$7 million of the appropriation is contingent upon legislation extending its statutory termination date.

**Local Effect:** None.

**Small Business Effect:** MHIP has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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Analysis

**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. SPDAP provides a premium subsidy of up to \$25 per month towards members' Medicare Part D premiums. In addition, SPDAP

provides a subsidy of up to \$1,200 per year to help members pay their prescription drug costs for the coverage gap. SPDAP terminates December 31, 2010.

There are two subsidies provided by CareFirst 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 annually from fiscal 2008 through 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.

**Background:** SPDAP currently assists approximately 21,000 members with their Medicare Part D prescription drug costs. Those members, many of whom are elderly and on a fixed income, would lose their benefits if SPDAP is allowed to terminate.

**Additional Comments:** As of January 2010, both pending federal health care reform bills contain provisions that would impact the Medicare Part D program and in turn the coverage gap subsidy provided by SPDAP. In particular, the House bill (H.R. 3962) would phase out the coverage gap by 2019, thereby reducing and eventually eliminating the need for the SPDAP coverage gap subsidy, which is currently funded with about \$4.0 million annually. The Senate bill (H.R. 3590) would reduce the coverage gap by \$500 for calendar 2010 only.

Both federal bills would require a 50% discount on all brand-name drugs purchased in the coverage gap but allow the full price of the drug to be used to calculate an enrollee's out-of-pocket expenditures. This provision would allow enrollees to reach catastrophic Part D coverage more quickly.

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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 - February 2, 2010  
a/mwc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Senior Prescription Drug Assistance Program – Sunset Extension

BILL NUMBER: HB 67

PREPARED BY: Maryland Health Insurance Plan

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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.