

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 106 (Chair, Health and Government Operations Committee, *et al.*) (By Request - Departmental - Health and Mental Hygiene)

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, 2016. The current \$14.0 million cap on the subsidy required for SPDAP is extended through fiscal 2017.

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Fiscal Summary

**State Effect:** Maryland Health Insurance Plan (MHIP) special fund revenues and expenditures for SPDAP are maintained through the first half of FY 2017.

**Local Effect:** None.

**Small Business Effect:** MHIP has determined that this bill has minimal or no impact on small business (attached). The Department of 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 \$40 per month toward members' Medicare Part D premiums. In addition, SPDAP provides a subsidy of up to \$3,427.13 per year to help members pay their prescription drug costs for the coverage gap or "donut hole." SPDAP terminates December 31, 2014.

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 2015; 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. If SPDAP were to terminate, the \$14.0 million CareFirst subsidy would continue and be redirected to the Community Health Resources Commission and the Kidney Disease Program. The additional \$4.0 million CareFirst subsidy would be discontinued.

**Background:** SPDAP currently assists 27,463 members with their Medicare Part D prescription drug costs. These individuals, many of whom are elderly and on fixed incomes, lose their benefits if SPDAP terminates.

The federal Patient Protection and Affordable Care Act includes provisions that incrementally eliminate the coverage gap by 2020. In calendar 2014, Medicare Part D enrollees who reach the coverage gap pay 47.5% of the plan's cost for brand-name prescription drugs and 72% of the plan's cost for generic drugs. As the coverage gap is eliminated, the need for SPDAP's coverage gap subsidy diminishes. However, the need for premium subsidies continues.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 13, 2014  
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

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

BILL NUMBER: SB 121

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.