

Senate Bill 349 – State Prescription Drug Benefits – Retirees
Senate Budget and Taxation Committee
February 28, 2024
Testimony of James C. Roberts

Favorable

My name is James C. Roberts, Ph.D. I retired from Towson University on July 1, 2022 after 33 years of service to the State of Maryland. During my employment, I was a professor of political science, Chairperson of the Department of Political Science, and Director of International Studies.

I testify today to support passage of Senate Bill 349 to restore prescription benefits for Medicare-eligible State retirees who were hired before July 1, 2011

Medicare Part D is not Equivalent to the State Retiree Prescription Plan

The State claims that Medicare Part D is equivalent to the State Retiree Prescription Plan and that Part D might even save money for the retirees. Unfortunately, these claims do not take into account all the issues that will affect retirees as they move to Medicare Part D.

The following issues must be considered when the comparing Medicare Part D and the State Retiree Prescription Plan:

- The list of drugs (formulary) for the State Retiree Prescription Plan is much more extensive than the formulary for any of the Medicare Part D plans available in Maryland.
 - The retiree must pay the entire cost of drugs not covered by the retiree’s formulary.
 - The costs of drugs not covered by the retiree’s formulary are not included in the State or Medicare caps on out-of-pocket expenses.
- Retirees currently pay a co-pay of \$20, \$50, or \$80 per 90 day supply of drugs covered under the State Retiree Prescription Plan, depending on the tier of the drug. Many Medicare Part D plans charge a co-insurance for drugs that is a percentage of the total cost of the drug. Retirees will end up paying very high prices for expensive drugs on Medicare Part D.
- The State Retiree Prescription Plan offers a family option that covers the retiree’s spouse or other family members. Medicare only offers single user plans. Family members currently covered under a retiree’s State plan will each have to get their own separate prescription plans.

The difference in formularies is a critical part of the extra expense that retirees will pay on Part D. Figure 1 contains comparisons of Medicare Part D for plans that were made using the Medicare.gov comparison tool. The comparisons are based on the prescribed medications of a 70 year old State retiree with Type II Diabetes and Psoriatic Arthritis. The costs are based on the test subject’s actual prescriptions. The estimates for the Maryland SilverScript Employer plan were derived from actual

costs of drugs and benefits from the plan as stated in the Evidence of Coverage. The comparisons are only for coverage year 2024.

Figure 1. Comparison of the Nineteen 2024 Medicare Part D Plans Available in Montgomery County Maryland

Medicare Part D Plans	Monthly Premium	Annual Cost Drugs + Premium	Deductible	Difference * between Part D Plan and the State Plan	Covered Drugs											# Drugs Covered		
					Carvedilol	Farxiga	Fenofibric Acid	Folic Acid	Valsartan	Tresiba	Metformin	Methotrexate	Mounjaro	Novolog	Crestor		Spirolactone	
AARP Medicare Rx Preferred From UHC	\$103.00	\$6,429	\$0	\$3,720	x	x		x	x	x	x	x	x	x	x	x	x	10
Humana Walmart Value Rx	\$43.50	\$8,154	\$545	\$5,444	x			x	x	x	x	x	x	x	x	x	x	9
Humana Basic Rx Plan	\$44.40	\$8,235	\$545	\$5,526	x			x	x	x	x	x	x	x	x	x	x	9
Humana Premier Rx Plan	\$104.60	\$8,467	\$0	\$5,758	x			x	x	x	x	x	x	x	x	x	x	9
Mutual of Omaha Rx Essential	\$26.30	\$14,784	\$545	\$12,075	x	x		x		x	x	x	x	x	x	x	x	9
SilverScript SmartSaver	\$12.40	\$16,802	\$280	\$14,092	x	x	x	x	x	x	x			x	x	x	x	10
SilverScript Plus	\$113.40	\$17,823	\$200	\$15,114	x	x	x	x	x	x	x			x	x	x	x	11
Wellcare Value Script	\$0.40	\$18,293	\$545	\$15,583	x	x	x	x	x	x	x	x			x	x	x	10
Wellcare Medicare Rx Value Plus	\$78.90	\$18,885	\$0	\$16,176	x	x	x	x	x	x	x	x			x	x	x	10
Clear Spring Health Value Rx	\$25.80	\$22,013	\$545	\$19,304	x	x		x	x	x	x	x			x	x	x	9
AARP Medicare Rx Walgreens from UHC	\$54.20	\$22,448	\$410	\$19,739	x			x	x	x	x			x	x	x	x	8
Wellcare Classic	\$37.40	\$24,122	\$545	\$21,413	x			x	x	x	x	x			x	x	x	8
Cigna Extra Rx	\$69.10	\$27,688	\$145	\$24,978	x		x	x	x	x	x	x			x	x	x	9
Cigna Saver Rx	\$20.00	\$29,914	\$545	\$27,204			x	x	x	x	x	x			x	x	x	8
Cigna Secure Rx	\$41.40	\$30,097	\$545	\$27,388			x	x	x	x	x	x			x	x	x	8
Mutual of Omaha Rx Premier	\$84.60	\$31,314	\$349	\$28,604	x			x		x	x			x	x	x	x	7
AAUP Medicare Rx Saver from UHC	\$62.40	\$31,530	\$545	\$28,820	x			x	x	x	x	x			x	x	x	8
SilverScript Choice	\$42.50	\$33,799	\$545	\$31,089	x	x	x	x	x	x	x				x	x	x	9
Mutual of Omaha Rx Plus	\$89.10	\$52,306	\$545	\$49,597			x	x		x	x				x	x	x	6
Maryland SilverScript Employer Plan	\$53.28	\$2,709	\$0		x	x	x	x	x	x	x	x	x	x	x	x	x	11

* The comparisons in this table are for 2024. In 2025, Medicare will cap individual out-of-pocket expenses at \$2,000 and the State will cap out-of-pocket expenses at \$1,500 for individuals and \$2,000 for families. Since the differences in total annual costs are mostly due to non-covered drugs that are not included in these caps, the caps will not significantly affect the differences between the Part D plans and the State plan.

Figure 1 illustrates that even the AARP plan, which is the Medicare Part D plan with the lowest annual expense, will cost this retiree \$3,720 more than the State Retiree Prescription Plan. The reason for this difference is the cost of the drugs not covered by the Part D plans.

Figure 1 also illustrates the pitfalls that retirees may encounter when choosing a Part D Plan. Retirees may be lured into purchasing a Part D plan with very low monthly premiums, such as the Wellcare Value Script Plan. This, however, will result in dramatically higher annual costs because the cheaper plan covers fewer of the retiree’s drugs.

Figure 2. Comparison of Carvedilol (Coreg) Costs Across Plans

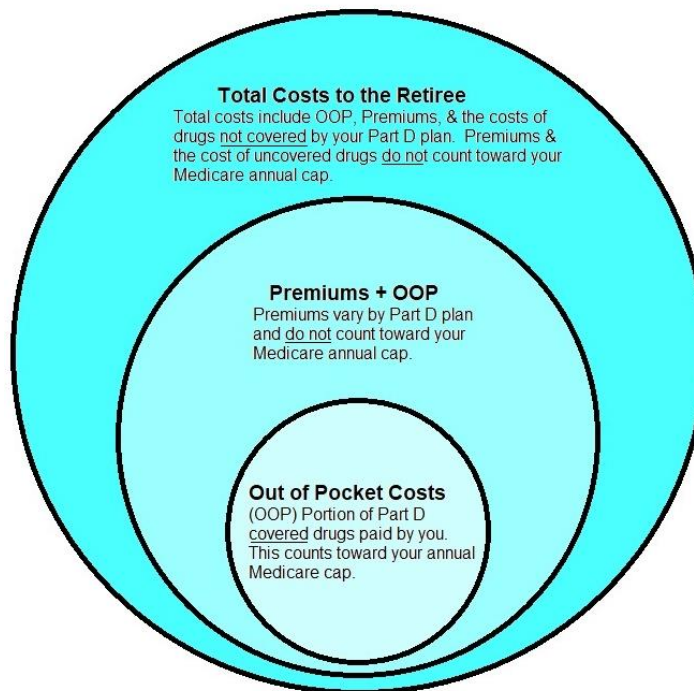
Plan	Covered?	Co-pay or Co-insurance	Annual Cost	Included in Cap?
AARP Medicare Preferred from UHC	No	n/a	\$2,336	No
Wellcare Value Script	Yes	50% Co-insurance	\$1,168	Yes
State SilverScript Employer Plan	Yes	\$20 Co-pay	\$80	Yes

The only drug not covered by the AARP plan, compared to the State SilverScript plan, is Carvedilol (Coreg). Drug prices vary by plan and by pharmacy, but one estimate of the annual cost of Carvedilol is \$2,336. Figure 2 shows that the test retiree would have to pay that entire amount on the AARP plan and it would not be credited toward his Medicare or State cap on out-of-pocket expenses. If the retiree

chose the Wellcare Value Script Plan with the lowest monthly premium, he would pay \$1,168 per year because the Wellcare Value Script plan uses a 50% coinsurance rather than a co-pay. On the State retiree prescription plan (SilverScript Employer), he would only pay the \$20 for a 90 day supply for an annual cost of approximately \$80.

Medicare and the State claim that out-of-pocket drug expenses will be capped beginning in 2025, but how are out-of-pocket expenses calculated? **Both the provisions of Senate Bill 946 (2019) and Medicare’s definitions of out-of-pocket expenses only include expenses for drugs covered by the retiree’s Part D plan.** If a retiree must take a drug not on the formulary, the retiree must pay the full cost of the drug and that cost is not included in the cap on out-of-pocket expenses. Figure 3 shows that that out-of-pocket expenses, as defined by the State and by Medicare, only account for a portion of the total costs that retirees must pay for their prescriptions.

Figure 3. Components of the Costs Paid by the Retiree



It is misleading to claim that “out-of-pocket” expenses will be capped by either the State or Medicare because these costs only account for a portion of the total expenses that must be paid by the retiree. Only the costs associated with purchasing covered drugs are included in caps on “out-of-pocket” expenses as defined by the State plan or Medicare Part D. The other costs shown in figure 3 - premiums, deductibles, and the costs of uncovered drugs - must be borne by the retiree and are not credited toward the State or Medicare caps.

Medicare Part D is not equivalent to the State Retiree Prescription Plan because the State plan offers a family option while Medicare only offers single-person options. Under Medicare Part D, families will have to obtain separate prescription plans for the retiree and each family member currently covered under the State Retiree Prescription Plan. **Switching from a family plan to individual Part D plans could double or more the total costs faced by families.**

The State claims that the provisions of Senate Bill 946 passed in 2019 will ease the transition to Medicare Part D, but these provisions are woefully inadequate to make up for the fact that Medicare Part D is not equivalent to the State plan.

- The provisions of SB 946 do not apply to Medicare-eligible retirees who retired after January 1, 2020. This excludes ALL current State employees who were hired before July 2011.
- Both the Medicare and the State caps on out-of-pocket expenses do not include major components of the retiree's actual expenses for prescriptions, as I stated above.
- SB 946 includes a provision for paying for "life-sustaining" drugs, but the State has not offered any definition of which drugs will be considered life-sustaining and the provision is poorly written. The legislation states that the State will reimburse the out-of-pocket expenses for retirees if a life-sustaining drug is not on their Part D formulary but the drug is on the State formulary. By the definition of out-of-pocket expenses used by Medicare, if a drug is not on the Part D formulary, the retiree must pay the full price of the drug and that price is not counted as an out-of-pocket expense so the retiree will receive no reimbursement.

Questions that Must be Answered and a Path Forward

There are many unanswered questions that should be addressed before action is taken to eliminate the State Retiree Prescription Benefit Plan for Medicare-eligible retirees.

- What will be the total costs to retirees of moving from the State Retiree Prescription Plan to Medicare Part D plans - including the costs of drugs not covered by the retiree's formulary?
- How many family members of Medicare-eligible members of the State Retiree Prescription plan will have to find their own individual plans under Part D?
- What will be the increased costs to families that must find individual Part D plans compared to their current costs under the State plan?
- How many **current** State employees hired before July 2011 will lose their State prescription benefits when they retire? These numbers have not been included in the estimates of the effects of this policy and these employees have not been notified that they will lose their benefits.
- Why are retirees and employees who were hired before July 2011 and did not retire before January 2020 not included in State efforts to ease the transition to Medicare Part D?

One path forward would be to delay termination of the State Retiree Prescription Plan until a study can be conducted that can answer these and other questions that are key to this issue.

This Committee can refer the matter for a Summer Study. The study panel should include experts on Medicare, State budget officials, and, most importantly, representatives of State retirees.