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SENATE BILL 111 Maryland Medical Assistance Program and Health Insurance - Step Therapy, Fail-First Protocols, and Prior Authorization - Prescription to Treat Serious Mental Illness

STATEMENT OF INFORMATION

DATE: January 29, 2025

COMMITTEE: Finance

SUMMARY OF BILL: Senate Bill 111 seeks to prohibit the Maryland Medical Assistance Program, as well as insurers, nonprofit health service plans, health maintenance organizations, and managed care organizations, from applying prior authorization, fail-first protocol, or step therapy rules for prescription drugs used to treat certain mental illnesses (bipolar disorder; schizophrenia; major depression; post-traumatic stress disorder; medication-induced movement disorder associated with the treatment of a serious mental illness).

EXPLANATION:

The State Employee and Retiree Health and Welfare Program does include prior authorization or step therapy rules for a limited number (5) of drugs associated with the mental health conditions indicated in the bill.

Using current utilization data through November 2024, the estimated annual incremental cost impact to the State is projected to be $500,000 to $1,000,000 (0.15% - 0.3% of total cost) after rebates. Increased utilization should be expected if utilization management criteria are lifted. In addition to the annual cash expense impact, any/all increases in benefits cost also impact long-term liabilities for Other Post Employment Benefits (OPEB). DBM estimates that the provisions in the bill would increase the State's net OPEB liability by $1.4 million to $2.9 million.

The resulting impact on key OPEB metrics is summarized below:

Increase in Net OPEB Liability	$1,446,000 - $2,893,000
Increase in OPEB Expense (Year 1)	$1,566,000 - $3,133,000
Increase in OPEB Expense (Years 2+)	$122,000 - $244,000

The provisions of Senate Bill 111 are estimated to increase State prescription drug costs (net of rebates) for retirees and associated dependents who are not eligible for Medicare by 0.15%-0.30% effective July 1, 2025, on top of normal assumed trends.

The potential impact of SB111 on other employer plans will vary and will be dependent on the specific formularies and clinical rules utilized by each plan. It is not uncommon for plan sponsors to have prior authorization or step therapy requirements in place for certain of the drug categories specified in SB111.

We think the impact to other employers will, on average, be an increase in cost similar to the range estimated for the State or 0.15% to 0.30% and would also be subject to change based on future new brand and generic drug introductions within the affected drug categories.

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