

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 950 (Delegate Hammen, *et al.*)

Health and Government Operations

Finance

Maryland Pharmacy Assistance Program - Copayment

This bill changes the copayment requirement in the Maryland Pharmacy Assistance Program (MPAP) from \$5.00 per prescription to \$2.50 per generic drug or brand name drug on a preferred drug list and \$7.50 for a brand name drug not on a preferred drug list.

Fiscal Summary

State Effect: MPAP expenditures (50% federal funds, 50% general funds) decrease \$936,000 in FY 2004. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(468,000)	(524,200)	(587,100)	(657,500)	(736,400)
FF Expenditure	(468,000)	(524,200)	(587,100)	(657,500)	(736,400)
Net Effect	\$936,000	\$1,048,400	\$1,174,200	\$1,315,000	\$1,472,800

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Individuals who earn less than \$10,417 (116% of the federal poverty level guidelines) may enroll in MPAP, which provides coverage for all prescription drugs covered under the Medicaid program. Copayments are \$5 per enrollee.

State Fiscal Effect: Medicaid expenditures could decrease by \$936,000 (50% federal funds, 50% general funds) in fiscal 2004, which accounts for the bill's October 1, 2003 effective date. The copayment changes will encourage enrollees and prescribers to purchase less expensive generics. This will generate savings for MPAP, which reimburses pharmacies for the cost of drugs prescribed in the program. This estimate reflects the following facts and assumptions:

- 624,000 (48%) of total pharmacy claims in the MPAP program are for brand-name drugs and 676,000 (52%) are for generic drugs;
- the tiered copayment system would shift 12,480 prescription drug claims (2%) from brand-name drugs to generics; and
- the average price difference between brand-name drugs and generics is \$75.

Future year estimates reflect annualization and 12% prescription drug inflation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid),
Department of Legislative Services

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