

Department of Legislative Services

Maryland General Assembly

2003 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 10 (Senator Hollinger)

Finance

Rules and Executive Nominations

Medicare - Prescription Drug Benefit

This joint resolution urges the U.S. House of Representatives and the U.S. Senate to enact financially-sustainable, voluntary, universal, and privately administered outpatient prescription drug coverage as part of the federal Medicare program.

Fiscal Summary

State Effect: Compliance with this joint resolution would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Medicare is a federal health insurance program for individuals 65 and over, certain people under 65 with disabilities, and those with end-stage renal disease (ESRD). Medicare Part A provides inpatient care in hospitals, while Part B provides coverage for doctors' visits and other outpatient medical treatment. Medicare does not provide any coverage for prescription drugs.

Background: As the number and cost of prescription drugs rises, drug costs have become a significant part of health care expenses, especially for older Americans. Since outpatient drugs are not generally covered under Medicare, many seniors cannot obtain the medical treatment they need. Congress has addressed the lack of a Medicare

prescription drug benefit several times, but has not passed a bill enhancing coverage. On July 12, 2001, President Bush issued an executive order creating the Medicare-Endorsed Rx Discount Card Initiative (the initiative), under which the federal Centers for Medicare and Medicaid Services (CMS) would approve discount cards issued by pharmacy benefit managers. The initiative was later withdrawn when a federal court ruled that the White House may have lacked the authority to establish the program without congressional approval.

President Bush laid out a Medicare reform plan on March 6, 2003 that would encourage seniors to leave Medicare's traditional fee-for-service program and join private health care plans, which for the first time would cover prescription drugs for the elderly.

Under the Bush plan, seniors would have a choice of three options. First, if they remain in the traditional program, they would receive a discount card that could save them 10 to 25% on prescription medicines. The government also would provide catastrophic coverage after the recipients' drug costs exceed a certain level. Seniors who opt for a new "enhanced Medicare" option could join one of a menu of private fee-for-service plans that would cover prescription drugs, preventive care, and catastrophic drug costs. This option is modeled on the program that federal employees use now. Finally, seniors would have the choice, as they do now, of joining a Medicare managed-care plan, which would include government-subsidized drug coverage.

Under the plan, the choices would be available by 2006. In the meantime, starting in 2004, all seniors would get a drug discount card, and low-income seniors would receive a \$600 annual subsidy for drug purchases.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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Susan D. John

Direct Inquiries to:
(410) 946-5510

(301) 970-5510