

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1370

(Delegate Mizeur)

Health and Government Operations

Finance

Senior Prescription Drug Assistance Program - Modifications and Sunset
Extension

This bill extends the termination date for the Senior Prescription Drug Assistance Program (SPDAP) from December 31, 2007 to December 31, 2009. The current \$14.0 million cap on the subsidy required under SPDAP is extended through fiscal 2010. SPDAP is authorized to limit payment of any subsidy by paying the subsidy only on behalf of eligible individuals enrolled in a Medicare Part D prescription drug plan or Medicare Advantage Plan that coordinates with SPDAP in accordance with federal requirements. The bill also corrects obsolete statutory references.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: Maryland Health Insurance Plan (MHIP) special fund revenues and expenditures would be maintained through the first half of FY 2010.

Local Effect: None.

Small Business Effect: Minimal to none.

Analysis

Current Law: SPDAP is required to coordinate with all Medicare Part D prescription drug plans even though some plans are unwilling or unable to contractually administer benefit subsidies on behalf of SPDAP.

SPDAP provides a subsidy of up to \$25 per month toward premium expenses for eligible low-income participants. To qualify, an individual must • be a Maryland Medicare recipient enrolled in a Medicare Rx or Medicare Advantage Prescription Drug plan who is not eligible for full federal assistance as determined by the Social Security Administration; and • have an income of less than 300% of federal poverty guidelines (in 2007, \$30,630 for an individual and \$41,070 for a couple). The program terminates December 31, 2007.

Funding for SPDAP is provided by CareFirst as a condition of earning its premium tax exemption as a nonprofit health service plan. CareFirst's subsidy of SPDAP may not exceed \$14.0 million for fiscal 2007 or 2008 and, for any year, may not exceed the value of CareFirst's premium tax exemption.

Background: Medicare guidelines now allow states to subsidize prescription drug benefits among a limited number of drug plans that agree to coordinate state subsidies of participant co-payments, coinsurance, and deductibles, if the plans are given the opportunity to coordinate the state subsidies.

SPDAP has approximately 35,000 enrollees. The Governor's proposed fiscal 2008 budget contains \$14.0 million (special funds) for this program. Prior to the implementation of the federal Medicare Part D prescription drug program in January 2006, SPDAP was called the Senior Prescription Drug Program (SPDP) and provided prescription drug coverage for lower-income beneficiaries. The initial termination date for SPDP was the earlier of June 30, 2005 or the availability of comparable prescription drug benefits provided by Medicare. Chapter 282 of 2005 restructured SPDP into SPDAP and extended the termination date until June 30, 2007. Chapter 345 of 2006 further extended the termination date to December 31, 2007.

State Fiscal Effect: MHIP special fund revenues and expenditures would continue through the first half of fiscal 2010 (December 31, 2009).

The Maryland Insurance Administration advises that the bill should not result in any reduction in program enrollment as there is a sufficient number of Medicare prescription drug plans that do administer the state subsidies to provide sufficient consumer choice.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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