

# MARYLAND HEALTH INSURANCE PLAN



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**VACANT**  
*Minority Business Owner*

November 16, 2012

The Honorable Martin J. O'Malley  
Governor  
State House  
100 State Circle  
Annapolis, MD 21401-1925

Re: 2012 Annual Report of the Senior Prescription Drug Assistance Program –  
Summary of Program Activities – Pursuant to Insurance Article  
§14-514(a)

Dear Governor O'Malley:

Pursuant to §14-514(a) of the Insurance Article, the Board of Directors of the Maryland Health Insurance Plan is required to report annually to the Governor and the General Assembly a summary of program activities for the Senior Prescription Drug Assistance Program ("SPDAP") and provide any recommendations for consideration by the General Assembly.

In accordance with the statute, please see the enclosed copy of SPDAP's Annual Report for Fiscal Year 2012.

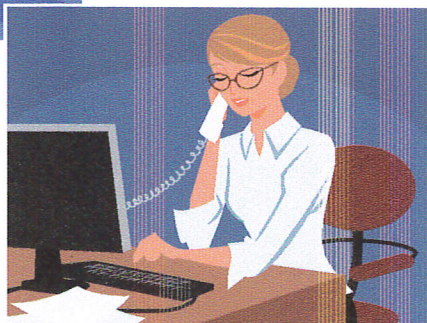
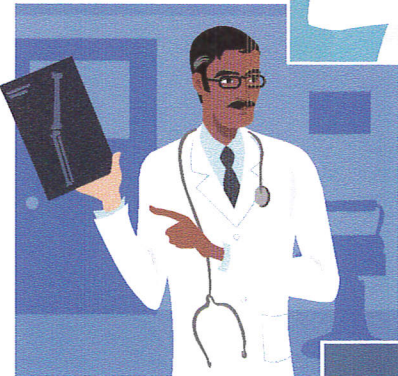
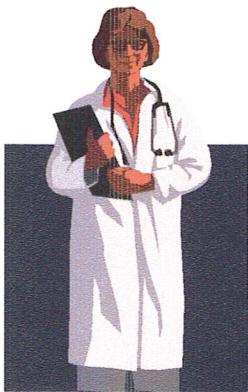
If you have any questions or need any additional information, please do not hesitate to contact me.

Sincerely,

Tate Showers  
Interim Executive Director  
Maryland Health Insurance Plan

cc: Board of Directors, Maryland Health Insurance Plan

# Maryland Senior Prescription Drug Assistance Program



**Annual  
Report**

**Fiscal  
Year  
2012**

# SUMMARY OF ACTIVITIES FOR THE SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

## *Introduction*

The Board for the Maryland Health Insurance Plan submits this annual report on the Senior Prescription Drug Assistance Program in accordance with §14-514(a) of the Insurance Article, which requires the Board to submit a report to the Governor and the General Assembly that includes a summary of Program activities for the year and any recommendations for consideration by the General Assembly.

## **PROGRAM HISTORY**

The Senior Prescription Drug Program (“SPDP”) was created by the Health Insurance Safety Net Act of 2002 (Chapter 153, Acts of 2002), and replaced the Short-Term Prescription Drug Subsidy Plan. The Board for the Maryland Health Insurance Plan (“MHIP”) was given the responsibility for overseeing SPDP. The purpose of SPDP was to provide prescription drug coverage to Medicare beneficiaries who lacked prescription drug coverage.

The Health Insurance Safety Net Act of 2002 provided that SPDP would terminate if comparable prescription drug benefits became available through Medicare under Title XVIII of the Social Security Act. On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Under that Act, prescription drug benefits became available through Medicare Part D beginning on January 1, 2006.

In response to the availability of prescription drug benefits through Medicare Part D, legislation was passed by the Maryland General Assembly and signed into law by Governor Ehrlich that renamed and reestablished SPDP as the Senior Prescription Drug Assistance Program (“SPDAP”). (See Chapters 281 and 282, Acts of 2005.) The legislation provided that the purpose of SPDAP is to provide Medicare Part D beneficiaries who meet program eligibility requirements with a State subsidy for a portion of their premiums and deductibles for prescription drug benefits under Medicare Part D. In 2006, additional legislation was passed and signed into law that allows SPDAP to subsidize eligible beneficiaries’ copayments and coinsurance, in addition to their premiums and deductibles. (See Chapter 345, Acts of 2006.) SPDAP was further modified in 2007 by legislation that authorizes SPDAP to limit payment of any benefit subsidy by paying the benefit subsidy on behalf of only eligible individuals enrolled in a Medicare Part D prescription drug plan or a Medicare Advantage Plan that coordinates with SPDAP in accordance with federal requirements. (See Chapters 508 and 509, Acts of 2007.)

## DESCRIPTION OF SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

### *Eligibility Requirements*

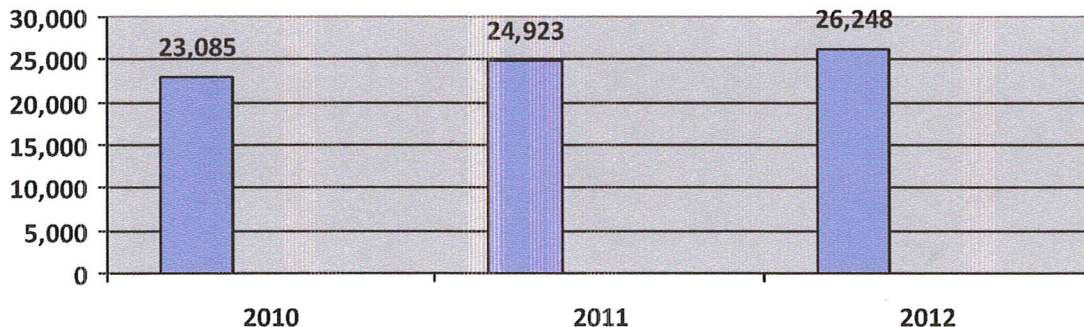
To be eligible to enroll in SPDAP, an individual must:

- be a resident of Maryland;
- be a Medicare beneficiary enrolled in the Medicare Part D Voluntary Prescription Drug Benefit Program or a Medicare Advantage Plan that provides Part D coverage;
- have an annual household income at or below 300 percent of the Federal Poverty Guidelines;
- not be enrolled in a health benefit plan, other than a Medicare Part D prescription drug plan or a Medicare Advantage Plan, that provides prescription drug benefits at the time the individual applies for enrollment in SPDAP; and
- not be eligible for a full federal low-income subsidy under 42 C.F.R. §423.772.

### *Enrollment*

As of May 2012, total SPDAP enrollment was 26,248 members. This represents an enrollment increase of 5.3% since May 2011 when enrollment was 24,923 members.

**SPDAP Enrollment**



### *Funding of Senior Prescription Drug Assistance Program*

#### In General

CareFirst is required to fund SPDAP in order for CareFirst to earn its premium tax exemption as a nonprofit health service plan. Under §14-106(e)(2) and (3) of the Insurance Article, the amount of funding provided by CareFirst may not exceed \$14

million for fiscal year 2008 through fiscal year 2015, and, for any other year, the amount of CareFirst's premium tax exemption.

#### Funding for Coverage Gap Subsidy

In 2008, the Maryland General Assembly enacted Chapters 557 and 558, Acts of 2008 to provide additional funding necessary to allow SPDAP to subsidize prescription drug costs incurred by SPDAP members in the Medicare Part D coverage gap. The enactments required CareFirst to transfer \$4 million to the SPDAP each year to be used to subsidize coverage gap costs, provided that CareFirst had a surplus that exceeded 800% of the consolidated risk-based capital requirements in the immediately preceding calendar year. Chapter 743 of the Acts of 2009 made technical and procedural changes to the funding process to address some timing problems in the prior law. This included making the \$4 million in funding contingent upon CareFirst having a surplus that exceeded 800% of the consolidated risk-based capital requirements for the year before the year immediately preceding the year for which payment is to be made.

#### Transfers to Other Programs

The Budget Reconciliation and Financing Act (BRFA) of 2011 (Chapter 397, Acts of 2011) authorized the Governor to make the following transfers from the SPDAP account within the MHIP Fund:

- up to \$3,000,000 from the SPDAP account to the Kidney Disease Program in fiscal year 2012;
- up to \$3,000,000 from the SPDAP account to the Kidney Disease Program in fiscal year 2013; and
- up to \$1,500,000 from the SPDAP account to the General Fund in fiscal year 2012.

The Budget Reconciliation and Financing Act (BRFA) of 2012 authorized the Governor to make the following transfers from the SPDAP account within the MHIP Fund:

- up to \$4,500,000 from the SPDAP account to the Medical Assistance Program in fiscal year 2013;
- increases allowable transfers from the SPDAP account to the Kidney Disease Program in fiscal year 2013 from \$3,000,000 to \$5,000,000;

Pursuant to this legislation, \$3,000,000 was transferred from the SPDAP account to the Kidney Disease Program and \$1,500,000 was transferred from the SPDAP account to the General Fund during fiscal year 2012.

#### Fund Balance

The amount of money in the SPDAP account within the MHIP Fund at the end of fiscal year 2012 was \$6,097,220.00.

### ***Administration of Senior Prescription Drug Assistance Program***

The Board for MHIP is required to contract with a third party to administer SPDAP. The functions performed by the third party administrator include:

- processing applications and determining eligibility of applicants for SPDAP;
- enrolling eligible applicants in SPDAP and sending denial letters to ineligible applicants;
- considering eligibility appeals;
- conducting an annual re-certification of SPDAP members;
- processing and reconciling monthly premium subsidy payments to prescription drug plans;
- reconciling SPDAP membership to CMS enrollment and eligibility files; and
- providing data collection and analysis and financial tracking and reporting as required by law or by MHIP.

In October 2007, the MHIP Board selected Pool Administrators, Inc. as the SPDAP administrator. MHIP entered into a contract with Pool Administrators, Inc. that took effect on January 1, 2008 and had a term of two years. MHIP has the option to extend the contract for successive terms of one year. In December 2009, MHIP extended the term of the agreement with Pool Administrators, Inc. for another year, through December 31, 2010. In December 2010, MHIP amended the agreement with Pool Administrators, Inc. and extended the term of the agreement for another two (2) years, through December 31, 2012.

### ***Benefits***

#### **Premium Subsidy**

SPDAP provides a prescription drug benefit subsidy, as determined by the MHIP Board, that may pay all or some of the premiums for federal Medicare Part D prescription drug coverage. Currently, SPDAP provides a premium subsidy of up to \$35 per month. If a member is eligible for a partial federal low-income subsidy, the SPDAP subsidy is offset by the federal low-income subsidy.

## Coverage Gap Subsidy

SPDAP also provides a coverage gap subsidy, to help SPDAP members pay their costs in the coverage gap or “doughnut hole.” SPDAP currently provides a coverage gap subsidy cover all of member’s coverage gap costs after the member pays 5% coinsurance.

Unlike the premium subsidy, not all prescription drug plans and Medicare Advantage Plans accept the coverage gap subsidy. To receive the benefit of the coverage gap subsidy, an SPDAP member must be enrolled in a prescription drug plan or Medicare Advantage Plan that has agreed to administer the coverage gap subsidy. During 2011, SPDAP entered into contracts with six plan sponsors who have agreed to administer the coverage gap through 15 prescription drug plans and Medicare Advantage Plans.

For 2012, SPDAP has entered into contracts with six plan sponsors who have agreed to administer the coverage gap through 13 prescription drug plans and Medicare Advantage Plans.

## *Outreach*

Working through its outreach contractor, gkv reach, SPDAP held 4 community workshops during the open enrollment period of October 15, 2011 through November 15, 2011. At the workshops, prospective SPDAP members were able to learn about the eligibility requirements for SPDAP and receive assistance completing applications. In addition, current SPDAP members were able to receive assistance in evaluating their current Part D prescription drug coverage and choosing Part D prescription drug coverage for the upcoming year.

SPDAP also provides a call center to answer the questions of members and prospective members throughout the year. Assistance is available toll free at 1-800-551-5995, Monday through Friday, from 8:00 a.m. to 5:00 p.m.

## *Legislation*

SPDAP staff:

- represent the Board before the Governor’s Legislative Office, the Maryland General Assembly, the Maryland Congressional Delegation, and legislative work groups and task forces;
- work with the Board and the Governor’s Legislative Office to develop departmental legislation;
- monitor bills introduced before the General Assembly that affect SPDAP and work with the Board to develop positions on the bills;
- prepare fiscal estimates for all bills that have a fiscal impact on SPDAP; and

- evaluate passed bills that affect SPDAP for possible veto by the Governor.

During the 2012 Session, SPDAP proposed departmental legislation to:

- extend the sunset date for SPDAP by two years until December 31, 2014 [enacted as Chapter 27, Acts of 2012]; and

### ***Regulations***

Under §14-514(b) of the Insurance Article, the Board has the authority to adopt regulations to carry out the Program. The Board periodically takes action on regulations to:

- Implement legislation enacted by the General Assembly;
- Implement policies of the Board; and
- Update or repeal obsolete regulations.

During fiscal year 2012, the Board did not propose any action on regulations.

### ***SPDAP Website***

Extensive additional information regarding SPDAP is available on the SPDAP website at [www.marylandspdap.com](http://www.marylandspdap.com), including:

- the application form;
- the Guide to Medicare Prescription Drug Plans in Maryland (“Blue Book”); and
- a schedule of open enrollment workshops.