June 29, 2017

The Honorable Larry Hogan
Governor
100 State Circle
Annapolis, MD 21401-1925

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
H-107 State House
100 State Circle
Annapolis, MD 21401-1925

The Honorable Michael E. Busch
Speaker of the House of Delegates
H-101 State House
100 State Circle
Annapolis, MD 21401-1925

RE: **HB 489 (Ch. 321 of the Acts of 2016) and Health – General § 15-1005(a) – Senior Prescription Drug Assistance Program Annual Report – 2016 Program Year**

Dear Governor Hogan, President Miller and Speaker Busch:

In accordance with Health – General § 15-1005(a), enclosed is the annual report of the Maryland Senior Prescription Drug Assistance Program for the 2016 program year. The report summarizes program activities and provides enrollment and benefits statistics. The Department of Health and Mental Hygiene is pleased to continue administration of this vital program.

If further information about this program is needed, please contact Webster Ye, Deputy Chief of Staff, at (410) 767-6480 or webster.ye@maryland.gov.

Sincerely,

Dennis R. Schrader
Secretary

Enclosure

cc: Shannon McMahon
Athos Alexandrou
Webster Ye
Sarah Albert, MSAR #10856

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

ANNUAL REPORT

PROGRAM YEAR

JANUARY – DECEMBER 2016

DEPARTMENT OF HEALTH AND MENTAL HYGIENE
SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

INTRODUCTION

The Department of Health and Mental Hygiene (DHMH) submits this annual report on the Senior Prescription Drug Assistance Program (SPDAP) to the Governor and General Assembly in accordance with §15-1005(a) of the Health – General Article and §2-1246 of the State Government Article.

PROGRAM HISTORY

The Senior Prescription Drug Program (SPDP) was created by the Health Insurance Safety Net Act of 2002 (Chapter 153 of the Acts of 2002), which replaced the Short-Term Prescription Drug Subsidy Plan. The Board of Directors 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 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 re-established SPDP as the Senior Prescription Drug Assistance Program (SPDAP) (see Chapters 281 and 282 of the 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' co-payments and co-insurance, in addition to their premiums and deductibles (see Chapter 345 of the Acts of 2006). SPDAP was further modified in 2007 by legislation that authorizes the 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 (PDP) or a Medicare Advantage Plan (MA-PD) that coordinates with SPDAP in accordance with federal requirements (see Chapters 508 and 509 of the Acts of 2007).

During the 2016 legislative session, HB 489 was introduced to dissolve the MHIP effective June 30, 2016. This legislation also proposed transferring the duties, responsibilities and funding of SPDAP from MHIP to DHMH as of July 1, 2016 and extending the termination date of SPDAP through December 31, 2019. HB 489 was approved by the House and Senate and signed into law by Governor Hogan (Chapter 321 of the Acts of 2016).

SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

DESCRIPTION OF THE SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM
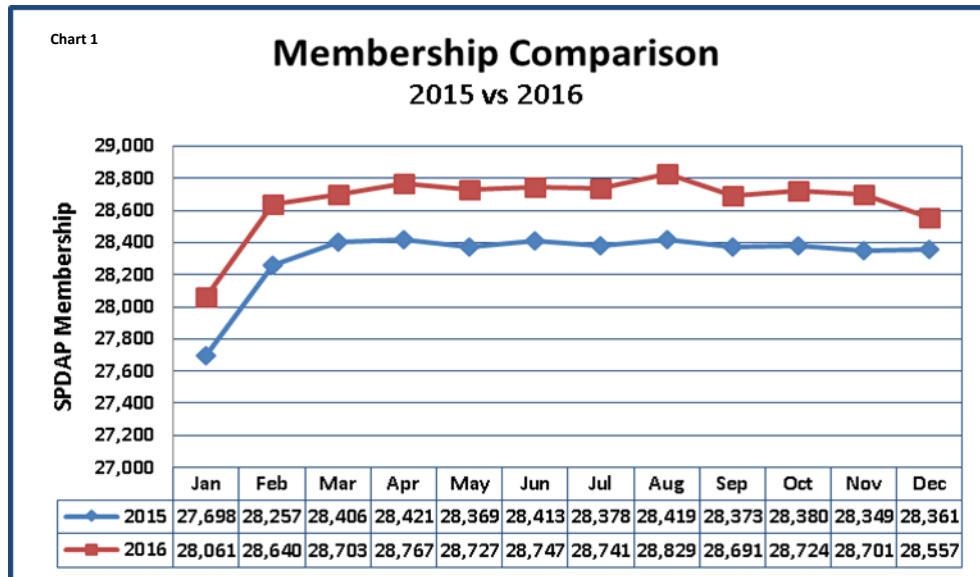
Eligibility Requirements

To be eligible to enroll in the 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 PDP or a MA-PD, that provides prescription drug benefits at the time the individual applies for enrollment in the SPDAP; and
- Not be eligible for a full federal low-income subsidy under 42 C.F.R. §423.772.

Enrollment

As of December 2016, total SPDAP enrollment was 28,557 members. This represents an enrollment increase of 0.7% since December 2015 when enrollment was 28,361 members.

Chart 1. Membership Comparison 2015 vs 2016

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	27,698	28,257	28,406	28,421	28,369	28,413	28,378	28,419	28,373	28,380	28,349	28,361
2016	28,061	28,640	28,703	28,767	28,727	28,747	28,741	28,829	28,691	28,724	28,701	28,557

There were 357 members terminated from the Program in December 2016. This was mainly due to the terminations from the annual re-certification process in which 170 members were terminated for being over the income limit.

Chart 2 provides statistics for SPDAP membership distribution by plan in Maryland for December 2016.

Chart 2 — Membership Distribution by Plan Dec 2016
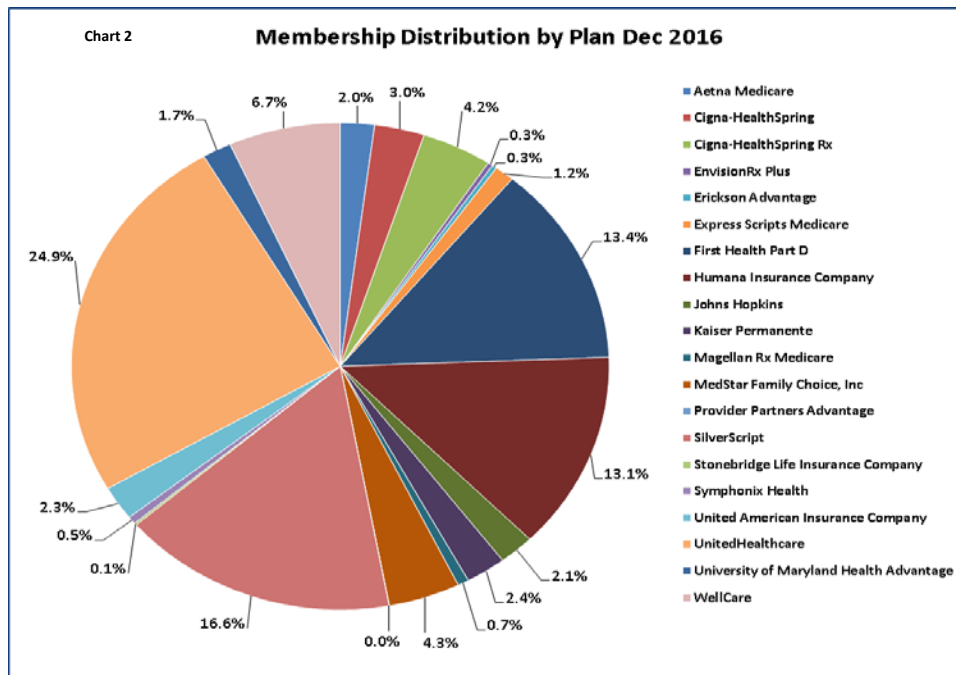
Chart 3 shows SPDAP membership distribution by county in Maryland for December 2016.
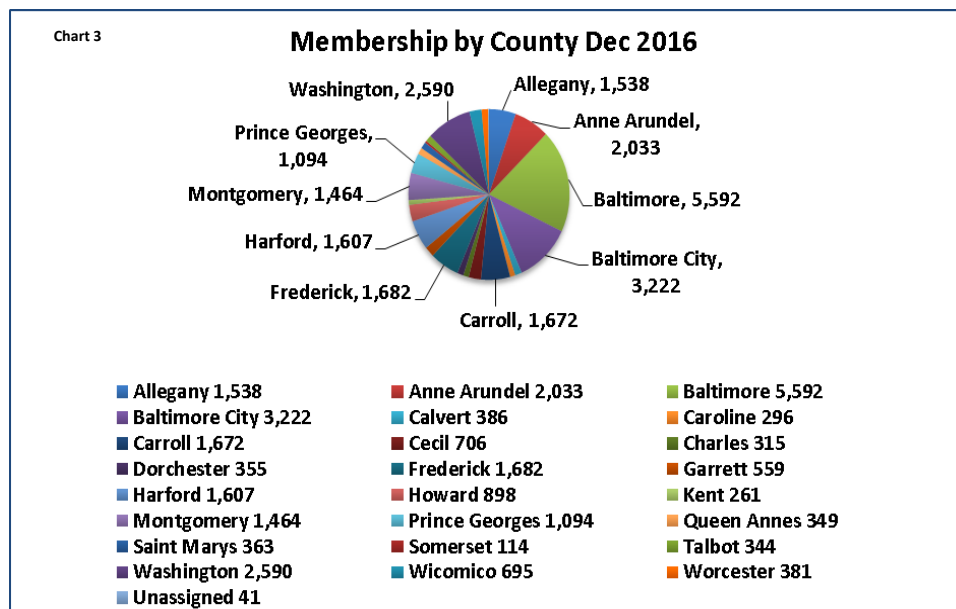
Chart 3 — Membership by County Dec 2016

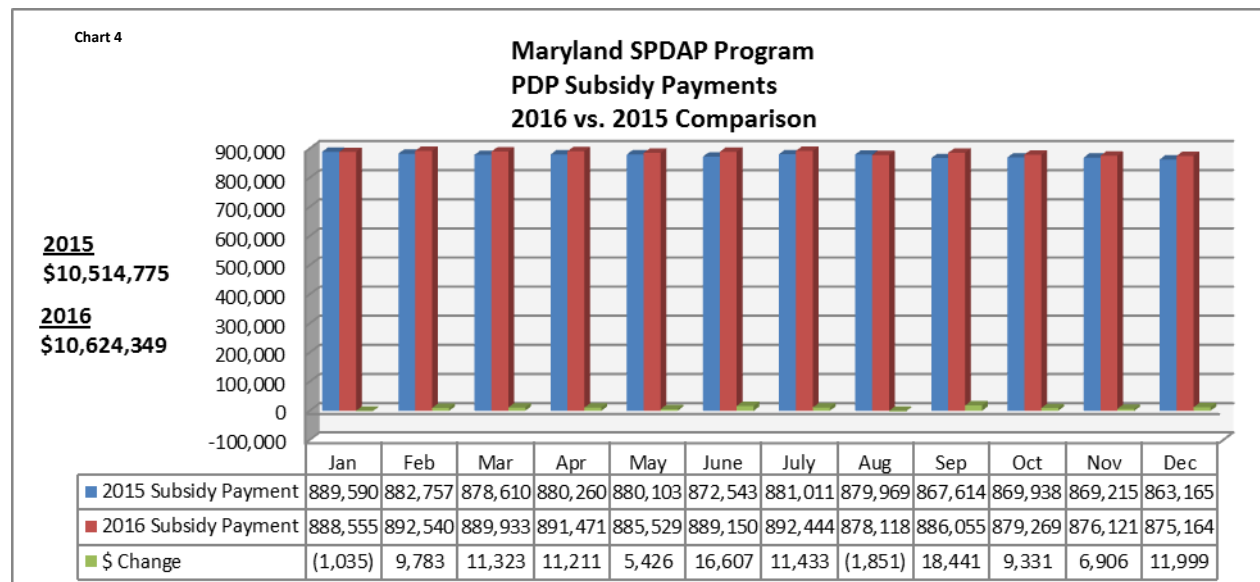| County	Members	County	Members	County	Members
Allegany	1,538	Anne Arundel	2,033	Baltimore	5,592
Baltimore City	3,222	Calvert	386	Caroline	296
Carroll	1,672	Cecil	706	Charles	315
Dorchester	355	Frederick	1,682	Garrett	559
Harford	1,607	Howard	898	Kent	261
Montgomery	1,464	Prince Georges	1,094	Queen Annes	349
Saint Marys	363	Somerset	114	Talbot	344
Washington	2,590	Wicomico	695	Worcester	381
Unassigned	41				

Member Benefits

Premium Subsidy

SPDAP provides a prescription drug benefit subsidy, which was determined by the MHIP Board of Directors for CY2016, which may pay all or some of the premiums for Federal Medicare Part D prescription drug coverage. Medicare Prescription Drug Program rate information for Maryland is determined by the Centers for Medicare and Medicaid Services (CMS). During CY2016, SPDAP provided a premium subsidy of up to $40 per month for any member who was enrolled in any Medicare approved PDP or MA-PD in the state of Maryland.

For CY2017, the DHMH made the determination to provide a premium subsidy of up to $40 per month to eligible Maryland residents enrolled in SPDAP. If a member is eligible for a partial federal low-income subsidy, the SPDAP subsidy is offset by the federal low-income subsidy.

2016 Amount Paid to PDPs for Subsidy Payment for Current and Prior Years

Chart 4

**Maryland SPDAP Program
PDP Subsidy Payments
2016 vs. 2015 Comparison**

**2015
$10,514,775**

**2016
$10,624,349**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
2015 Subsidy Payment	889,590	882,757	878,610	880,260	880,103	872,543	881,011	879,969	867,614	869,938	869,215	863,165
2016 Subsidy Payment	888,555	892,540	889,933	891,471	885,529	889,150	892,444	878,118	886,055	879,269	876,121	875,164
$ Change	(1,035)	9,783	11,323	11,211	5,426	16,607	11,433	(1,851)	18,441	9,331	6,906	11,999

Original CY2016 Coverage Gap Subsidy

SPDAP also provides a coverage gap subsidy to help SPDAP members pay their costs in the Medicare Part D coverage gap or "donut hole." Unlike the premium subsidy, Medicare Part D PDPs are not obligated to administer the coverage gap subsidy. During CY2016, the SPDAP entered into a contract with one (1) plan sponsor (Cigna-HealthSpring – Contract ID H2108) who agreed to administer the coverage gap through seven (7) PDPs. For SPDAP members enrolled in Cigna-HealthSpring – Contract ID H2108 during CY2016, the member's prescription cost during the coverage gap or "donut hole" will be a 5% co-insurance on the total prescription

cost plus the non-formulary drug cost. The remaining cost will be covered by any supplemental coverage offered by the PDP and any applicable Federal Drug Discount, with the remainder being paid by SPDAP.

New CY2016 Coverage Gap Subsidy Benefit

Because the MHIP was able to come to an agreement to administer the original 2016 SPDAP Coverage Gap subsidy with only one carrier, Cigna-HealthSpring – Contract ID H2108, in April 2016, with input from MHIP staff, the MHIP Board of Directors approved a modification to the Coverage Gap Subsidy benefit methodology for all carriers excluding Cigna-HealthSpring – Contract ID H2108. The benefits offered under the original CY2016 Coverage Gap subsidy being administered by Cigna-HealthSpring – Contract ID H2108 were more generous than those offered under the new CY2016 Coverage Gap subsidy.

Specifically, the Board of Directors approved providing a coverage gap subsidy for prescription drug costs incurred in the Medicare Part D Coverage Gap to all SPDAP members. The Coverage Gap Subsidy benefit would be limited to a maximum of $600.00 for CY2016. These changes were implemented for CY2016 prescription drug costs members incurred while in the Medicare Part D Coverage Gap.

For CY2017, the DHMH made the determination to provide a coverage gap subsidy of at least $600.00 to eligible Maryland residents enrolled in SPDAP.

CY2016 Coverage Gap Subsidy Payments
Included in the chart below are the amounts reimbursed to the PDPs in CY2016.

PDP	Subsidy Year	Total Amount Paid Including Administration Fee
Bravo	2012	$345,497.25
Bravo	2012	$17,474.74
Bravo	2013	$64,617.26
Bravo	2013	$7,494.82
First Health	2014	$253,510.02
Bravo	2014	$397,029.74
Bravo	2014	$62,100.08
Medi-CareFirst	2014	$1,556,525.49
First Health	2015	$1,199,784.34
Total		**$3,904,033.74**

DEPARTMENT OF HEALTH AND MENTAL HYGIENE
SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

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 Insurance Article §14-106(d)(1)(iii). 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 years 2008 through fiscal year 2020, and, for any other year, the amount of CareFirst's premium tax exemption.

Funding for Coverage Gap Subsidy

Under Insurance Article §14-106.2(b) if CareFirst had a surplus that exceeded 800% of the consolidated risk-based capital requirements in the immediately preceding calendar year, then, CareFirst is required to transfer to the SPDAP $4 million to provide additional funding necessary to allow the SPDAP to subsidize prescription drug costs incurred by SPDAP members in the Medicare Part D coverage gap. While CareFirst did not exceed 800% of the consolidated risk-based capital requirements for CY2015 they still provided the funding for the 2016 Coverage Gap Subsidy. In August of 2016 CareFirst also committed to the transfer of $4 million to provide the funding for the 2017 Coverage Gap Subsidy.

Transfers to Other Programs

The FY2017 Budget authorized the transfer from SPDAP account of $8.3 million to support community mental health services for the uninsured. Due to the MHIP Board of Directors approving the new Coverage Gap subsidy benefit beginning in CY2016, SPDAP informed the DHMH Chief Financial Officer and the Department of Legislative Services that the projected SPDAP surplus for FY2017 would be revised from $8.3 million to $6.1 million. The fiscal 2017 budget transfer was reduced to reflect the revised estimated SPDAP surplus.

Administration of Senior Prescription Drug Assistance Program

The Board of Directors 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 PDPs;
- reconciling the SPDAP membership to CMS enrollment and eligibility files; and
- providing data collection, analysis, financial tracking and reporting as required by

law or by MHIP.

In October 2007, the MHIP Board of Directors selected Pool Administrators, Inc. (PAI) as the SPDAP administrator. MHIP entered into a contract with PAI that took effect on January 1, 2008 and had a term of two years. MHIP had the option to extend the contract for successive terms of one year.

In December 2009, MHIP extended the term of the agreement with PAI for another year, through December 31, 2010.

In December 2010, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2012.

In October 2012, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2014.

In August 2014, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2016.

In June 2016, upon request from the DHMH, the MHIP Board of Directors extended the term of the agreement with PAI for an additional three (3) years, through December 31, 2019. Effective July 1, 2016, the DHMH became the entity required to contract with a third party to administer the SPDAP.

2016 Amounts Paid for Administrative Fees and Postage

Invoices	Total Amounts
TPA Administrative Fees	$ 1,412,757.94
Postage	$46,361.59
PDP Administrative Fees	$107,890.05
Total	**$1,567,009.58**

Outreach

Each October, prior to Medicare Part D open enrollment, all active SPDAP members are mailed the list of eligible Medicare Part D prescription plans for the State of Maryland notating which plans will be administering the Coverage Gap Subsidy to assist the member in choosing their Medicare Part D prescription drug coverage for the upcoming year.

The SPDAP also maintains a call center and website to answer member and prospective member questions throughout the year. Call Center assistance is available toll free at 1-800-551-5995, Monday through Friday, from 8 am to 5 pm. Extensive information regarding SPDAP is available at http://www.marylandspdap.com, including the application form and a list of
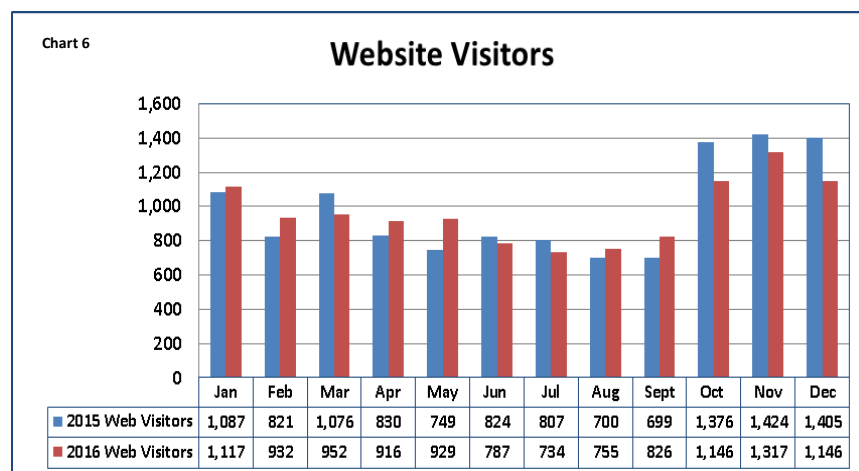
Medicare PDPs in Maryland.

SPDAP also coordinates with the Department of Aging to provide the State Health Insurance Program (SHIP) Coordinators and volunteer counselors with information regarding SPDAP, the upcoming year premium subsidy benefit levels and the upcoming year coverage gap subsidy benefit levels. SPDAP also instructs the SHIP Coordinators and volunteer counselors on how they may assist Maryland seniors in applying for SPDAP.

CY2016 SPDAP Customer Service Activity

Chart 5 — Calls Received

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015 Calls Recvd	2,315	1,506	1,476	1,073	956	1,332	1,517	950	938	1,846	2,019	2,732
2016 Calls Recvd	2,181	2,165	2,159	1,170	1,005	1,203	1,230	1285	910	1,501	1,699	1,926
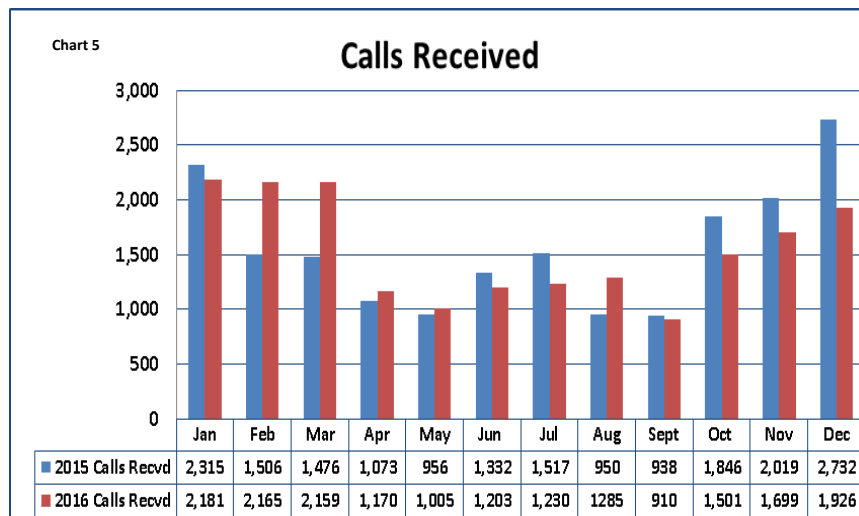
CY2016 SPDAP Website Statistics

Chart 6 — Website Visitors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015 Web Visitors	1,087	821	1,076	830	749	824	807	700	699	1,376	1,424	1,405
2016 Web Visitors	1,117	932	952	916	929	787	734	755	826	1,146	1,317	1,146

Legislation

SPDAP staff:
- represent the DHMH before the Governor's Legislative Office, the Maryland General Assembly, the Maryland Congressional Delegation, and legislative work groups and task forces;
- work with the DHMH and the Governor's Legislative Office to develop departmental legislation;
- monitor bills introduced before the General Assembly that affect SPDAP and work with the DHMH 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 2016 legislative session HB 489 was introduced to dissolve the MHIP effective June 30, 2016. This legislation also proposed the transfer of the duties, responsibilities and funding of SPDAP from the MHIP to the DHMH as of July 1, 2016 and extending the termination date of SPDAP through December 31, 2019.

HB 489 also proposed extending the period of time during which a non-profit health service plan (CareFirst) is required to provide to the SPDAP the subsidy required under Insurance Article §14-106(d)(1)(iii) in the amount of $14,000,000, under §14-106(e)(2), through FY2020.

The bill was approved by the House and Senate and signed into law by Governor Hogan as Chapter 321 of the Acts of 2016.

Conclusion

SPDAP continues to provide vital resources for low-to-middle income Maryland seniors. SPDAP will continue to work closely with the Maryland Department of Aging, and other entities serving the senior population, to ensure eligible Maryland seniors are aware of the benefits that may be available through the program and to provide assistance to applicants with the SPDAP application process.