

State of Maryland Employees and Retirees Health and Welfare Benefits Program

Proposed Prescription Drug Plan Changes

Why Reform?

- Current Retiree Health Liability totals \$16 billion – ranks 13th highest nationally and is only 1% funded.
- Almost half of the unfunded retiree health liability is associated Maryland's prescription drug benefit.
- Maryland's prescription drug cost sharing requirements are more generous than many states:
 - Maryland requires a \$5 copay for generic drugs.
 - More than half of state plans nationally require a copayment of \$10-19. (Segal Company, 2011)
- Maryland requires a \$25 copay for non-preferred drugs.
 - 87% of State plans apply copays of \$30 or more and 68% require copays in excess of \$40. (Segal Company, 2011)
- Maryland is one of only 11 states with an out-of-pocket cap on drug costs. (Department of Legislative Services)
- In order to ensure continued access to a medical/RX benefit for retirees, we need to make our program more sustainable.

Background on Current Plan:

- The Program covers over 70,000 active employees and nearly 40,000 retirees and their eligible dependents.
- Current plan design utilizes a three tier copay system with an annual cap on copays paid of \$700 for prescriptions filled at either retail pharmacies or mail order pharmacies as follows:

Type of Drug	Retail		Mail Order	
	Prescriptions for 1-45 Days	Prescriptions for 46-90 Days	Prescriptions for 1-45 Days	Prescriptions for 46-90 Days
Generic	\$5	\$10	\$5	\$10
Preferred Brand	\$15	\$30	\$15	\$20
Non-Preferred Brand	\$25	\$50	\$20	\$20

- Prescription drug costs for fiscal year 2010 were approximately \$345 million, roughly a 7% increase over the previous year.
- Disease management programs implemented September 1, 2009 reduced the copay to \$0 for generic drugs treating depression, high blood pressure, GERD/ulcers, high cholesterol and asthma. Savings in fiscal year 2010 reached approximately \$2.4M.

Changes Effective July 1, 2011

Active Employees:

- Copays aligned with national trends – range from \$10 for generic drugs to \$40 for non-preferred drugs for 45-day supply.

Type of Drug	Retail		Mail Order	
	Prescriptions for 1-45 Days	Prescriptions for 46-90 Days	Prescriptions for 1-45 Days	Prescriptions for 46-90 Days
Generic	\$10	\$20	\$10	\$20
Preferred Brand	\$25	\$50	\$25	\$50
Non-Preferred Brand	\$40	\$80	\$40	\$80

- Annual out of pocket cap raised from \$700 for everyone to \$1,000 per individual/\$1,500 per family.

Retirees:

- Prescription coverage will closely mirror the basic Medicare Part D plan:
 - Retiree pays first \$310 in Rx costs each year.
 - After \$310 annual deductible is met, retiree pays 25% of prescription costs and Plan pays 75%, up to \$4,550 in retiree out of pocket costs.
 - After maximum retiree out of pocket cost reached, Plan pays 100% for remainder of the plan year.
- Retirees will transition to Medicare Part D prescription coverage in 2020 when the Part D “coverage gap” is phased-out. Effective July 1, 2020, Medicare-eligible retirees will be required to enroll in Medicare Part D through Medicare.