

# MAINE STATE LEGISLATURE

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L.D. 1947

DATE: 5-28-99

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**MAJORITY**  
**BANKING AND INSURANCE**

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**STATE OF MAINE**  
**HOUSE OF REPRESENTATIVES**  
**119TH LEGISLATURE**  
**FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1347, L.D. 1947, Bill, "An Act to Ensure Access to Prescription Drugs for the Elderly"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

**PART A**

**Sec. A-1. 22 MRSA §254, sub-§2**, as amended by PL 1983, c. 290, is repealed and the following enacted in its place:

2. Individuals eligible for participation. An individual who is a legal resident of this State at the time the application is filed is eligible under this program if the requirements of this subsection are met.

A. The individual's household income, as defined in Title 36, section 6201, subsection 7, may not exceed 185% of the nonfarm income official poverty line, except that the household income may exceed that amount by up to 25% if the household spends at least 40% of its income on unreimbursed direct medical expenses for prescription drugs.

(1) The nonfarm income official poverty line is that applicable to a household of the size involved, as defined by the poverty guidelines in the Federal Register by the federal Department of

2 Health and Human Services under authority of the  
3 Omnibus Budget Reconciliation Act of 1981, Section  
4 673(2).

5 (2) For the purposes of this paragraph, the cost  
6 of drugs provided to a household under this  
7 section is considered a cost spent by the  
8 household for eligibility determination purposes.

9 (3) The Bureau of Revenue Services shall also  
10 determine eligibility based on current year  
11 projected household income and household size if  
12 the applicant documents a substantial change in  
13 circumstances that alters the applicant's income  
14 by more than 10%.

15 B. The individual must be 62 years of age or older or be  
16 disabled and receiving federal disability benefits due to  
17 disability.

18 C. The individual may not be receiving state supplemental  
19 income benefits.

20 Sec. A-2. 22 MRSA §254, sub-§9 is enacted to read:

21 9. Dedicated fund. The elderly low-cost drug program fund,  
22 referred to in this section as the "fund," is created within the  
23 department to receive revenues from the gross direct premium tax  
24 collected pursuant to Title 36, section 2513-C. The fund is a  
25 nonlapsing, dedicated fund to be used only for the purpose of  
26 implementing this section. Interest on the balance in the fund  
27 accrues to the fund.

28 Sec. A-3. 36 MRSA §6162-A, sub-§2, as amended by PL 1997, c.  
29 643, Pt. RR, §6, is repealed and the following enacted in its  
30 place:

31 2. Income. Eligibility for this program is determined  
32 according to Title 22, section 254, subsection 2.

33 Sec. A-4. 36 MRSA §6162-A, sub-§6, as enacted by PL 1987, c.  
34 528, §2, is repealed.

35 PART B

36 Sec. B-1. 24-A MRSA §4245 is enacted to read:

37 §4255. Gross direct premium tax

2 All health maintenance organizations except those organized  
3 as nonprofit entities and those that are health insurance  
4 affiliates of nonprofit hospital and medical service  
5 organizations within the meaning of Title 24, section 2308-A  
6 shall pay a tax on all gross direct premiums collected on  
7 policies or contracts issued to persons residing in the State in  
8 accordance with the provisions of Title 36, chapter 357.

9  
10 **Sec. B-2. 36 MRSA §2513-C is enacted to read:**

11 **§2513-C. Gross direct premium tax payable by certain health**  
12 **maintenance organizations**

13 All health maintenance organizations except those organized  
14 as nonprofit entities and those that are health insurance  
15 affiliates of nonprofit hospital and medical service  
16 organizations within the meaning of Title 24, section 2308-A  
17 shall pay a tax on all gross direct premiums collected on  
18 policies or contracts issued to persons residing in the State at  
19 the rate of 2% a year, except that a health maintenance  
20 organization that is a health insurance affiliate of a nonprofit  
21 hospital and medical service organization within the meaning of  
22 Title 24, section 2308-A is not subject to taxation of premiums  
23 under this chapter. Tax revenues received pursuant to this  
24 section must be deposited in the elderly low-cost drug program  
25 fund established in Title 22, section 254, subsection 9.

26  
27 **Sec. B-3. 36 MRSA §2515, as amended by PL 1997, c. 435, §3,**  
28 **is further amended to read:**

29 **§2515. Amount of tax**

30  
31 In determining the amount of tax due under section 2513 or,  
32 2513-B or 2513-C, each company or health maintenance organization  
33 shall deduct from the full amount of gross direct premiums the  
34 amount of all direct return premiums on the gross direct premiums  
35 and all dividends paid to policyholders on direct premiums, and  
36 the tax must be computed by those companies or health maintenance  
37 organizations or their agents.

38  
39 **Sec. B-4. Application.** This Part applies to tax periods  
40 beginning on or after January 1, 2000.

41  
42  
43 **PART C**

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45  
46  
47 **Sec. C-1. Expenditures in excess of allocations.** Expenditures that  
48 result from additional health insurance costs required by this  
49 Act of funds other than the General Fund and the  
50

COMMITTEE AMENDMENT "A" to H.P. 1347, L.D. 1947

Highway Fund are authorized to exceed legislative allocations during the current biennium ending June 30, 2001. Appropriate adjustments to basic work programs facilitating these expenditures in excess of allocations must be recommended by the State Budget Officer and approved by the Governor.

**Sec. C-2. Appropriation.** The following funds are appropriated from the General Fund to carry out the purposes of this Act.

	1999-00	2000-01
<b>ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF</b>		
<b>Salary Plan</b>		
Personal Services	\$130,500	\$522,000
Provides funds in the event that costs exceed the amounts available as a result of an increase of health insurance premiums paid by the State's health insurance program.		
<b>Bureau of Revenue Services</b>		
Positions - Legislative Count	(1,000)	(1,000)
Personal Services	\$23,087	\$31,806
All Other	103,726	55,412
TOTAL	\$126,813	\$87,218
Provides funding for one Tax Examiner position, effective October 1, 1999, and related expenses to audit the additional applications for the elderly low-cost drug program, for additional printing and mailing costs and initial computer programming costs.		
<b>DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES</b>		
TOTAL	\$257,313	\$609,218

# COMMITTEE AMENDMENT

2 **HUMAN SERVICES, DEPARTMENT OF**

4 **Bureau of Medical Services**

6	Positions - Legislative Count	(1.500)	(1.500)
	Personal Services	\$43,880	\$58,505
8	All Other	11,000	5,000

10			
	TOTAL	\$54,880	\$63,505

12 Provides funds for a  
 14 full-time Pharmacist  
 16 position, a part-time Medical  
 18 Care Coordinator position and  
 20 related operating costs to  
 support increased access to  
 prescription drugs.

22 **Low-Cost Drugs to Maine's Elderly**

24	All Other	\$1,348,664	\$2,083,579
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26 Provides funds for the  
 28 additional costs associated  
 with increased eligibility  
 under this program.

30	<b>DEPARTMENT OF HUMAN SERVICES</b>		
32	<b>TOTAL</b>	\$1,403,544	\$2,147,084

34	<b>TOTAL APPROPRIATIONS</b>	\$1,660,857	\$2,756,302
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36 **Sec. C-3. Allocation.** The following funds are allocated from  
 38 the Highway Fund to carry out the purposes of this Act.

40		<b>1999-00</b>	<b>2000-01</b>
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42 **ADMINISTRATIVE AND FINANCIAL**  
 44 **SERVICES, DEPARTMENT OF**

46 **Salary Plan**

48	Personal Services	\$58,500	\$234,000
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50 Provides funds in the event  
 that costs exceed the amounts

available as a result of an  
increase of health insurance  
premiums paid by the State's  
health insurance program.

**Sec. C-4. Allocation.** The following funds are allocated from  
Other Special Revenue funds to carry out the purposes of this Act.

	1999-00	2000-01
<b>Low-Cost Drugs to Maine's Elderly</b>		
All Other	\$4,681,600	\$6,600,000
Provides funds for the additional costs associated with increased eligibility under this program.		

**Sec. C-5. Effective date.** This Act takes effect October 1,  
1999.'

Further amend the bill by inserting at the end before the  
summary the following:

**FISCAL NOTE**

	1999-00	2000-01
<b>APPROPRIATIONS/ALLOCATIONS</b>		
General Fund	\$1,660,857	\$2,756,302
Highway Fund	58,500	234,000
Other Funds	4,681,600	6,600,000
<b>REVENUES</b>		
General Fund	(\$854,100)	(\$1,992,900)
Other Funds	4,635,700	6,492,900

This bill will result in net General Fund costs of  
\$2,514,957 in fiscal year 1999-00 and \$4,749,202 in fiscal year  
2000-01. This bill will also result in net Highway Fund costs of  
\$58,500 and \$234,000 in fiscal years 1999-00 and 2000-01.

Subjecting for-profit health maintenance organizations to  
the insurance premium tax will increase insurance premium taxes  
by \$4,681,600 in fiscal year 1999-00 and \$6,600,000 in fiscal

2 year 2000-01. These additional revenues are dedicated by this  
bill to the elderly low-cost drug program fund. The change of  
4 tax status for these health maintenance organizations will  
decrease corporate income tax collections by \$900,000 in fiscal  
6 year 1999-00 and \$2,100,000 in fiscal year 2000-01. The  
reduction of these tax collections will decrease the amounts  
8 transferred to the Local Government Fund for state-municipal  
revenue sharing in those years by \$45,900 and \$107,100,  
10 respectively. The resulting net reductions of General Fund  
revenue will be \$854,100 in fiscal year 1999-00 and \$1,992,900 in  
12 fiscal year 2000-01.

14 This bill includes allocations from the elderly low-cost  
drug program fund equal to the amount of the estimated revenue  
16 accruing to the fund, \$4,681,600 in fiscal year 1999-00 and  
\$6,600,000 in fiscal year 2000-01. This additional dedicated  
18 revenue is insufficient to fund the expansion of the elderly  
low-cost drug program. Additional General Fund appropriations of  
20 \$1,348,664 in fiscal year 1999-00 and \$2,083,579 in fiscal year  
2000-01 are included to fund the remaining costs.

22 In addition to the program expansion costs, the Department  
of Human Services will incur additional administrative costs  
24 associated with this expansion of \$54,880 in fiscal year 1999-00  
and \$63,505 in fiscal year 2000-01. The Bureau of Revenue  
26 Services will incur additional administrative costs of \$126,813  
and \$87,218 in fiscal years 1999-00 and 2000-01, respectively.  
28 These additional costs include a Tax Examiner position and  
related expenses to audit the additional applications for this  
30 program, the printing and postage costs of additional  
applications and booklets, the costs of mailing out additional  
32 cards and the additional costs for some initial computer  
programming. Additional General Fund appropriations are included  
34 to fund these additional administrative costs.

36 Subjecting for-profit health maintenance organizations to  
the insurance premium taxes will increase the costs of the  
38 State's health insurance program. The cost increases are  
estimated to be \$300,000 in fiscal year 1999-00 and \$1,200,000 in  
40 fiscal year 2000-01. This bill includes additional General Fund  
appropriations of \$130,500 and \$522,000 in fiscal years 1999-00  
42 and 2000-01, respectively, to set aside amounts in the salary  
plan to provide funding for the estimated General Fund share of  
44 these additional costs. Similarly, Highway Fund allocations of  
\$58,500 and \$234,000, respectively, are included for the Highway  
46 Fund's estimated share. An authorization is included to increase  
allotments for the costs of this bill that will be incurred by  
48 other funds.'

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**SUMMARY**

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4 This amendment replaces the bill. It increases base income  
6 eligibility for the elderly low-cost drug program to 185% of the  
8 federal poverty line. It authorizes consideration of current  
year projected income in the event of a documentable change in  
income of more than 10% from the prior year. It contains a  
general effective date of October 1, 1999.

10

12 This amendment imposes a 2% gross premium tax on all  
14 for-profit health maintenance organizations, subjecting them to  
the same premium tax as health insurers, except that it exempts  
16 from this requirement health maintenance organizations that are  
18 health insurance affiliates of nonprofit hospital and medical  
service organizations. Revenues from the gross direct premium tax  
on health maintenance organizations are paid into a new  
dedicated, nonlapsing fund named the elderly low-cost drug  
program fund.

20

The amendment adds an appropriation section, an allocation  
section and a fiscal note to the bill.