



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 17, 2005

Joint Committee on Finance

Paper #362

SeniorCare Base Reestimate (DHFS -- MA, BadgerCare and SeniorCare -- Base Reestimates and Funding)

[LFB 2005-07 Budget Summary: Page 236, #4]

CURRENT LAW

SeniorCare, created in 2001 Wisconsin Act 16, provides prescription drug assistance to Wisconsin residents who are 65 years of age or older. Any elderly Wisconsin resident may enroll in the program, but each enrollee's income determines whether he or she is required to pay a deductible or meet a spenddown requirement.

Act 16 provided \$49.9 million GPR in 2002-03 to fund SeniorCare benefits. Subsequent to the enactment of Act 16, the state obtained a waiver of federal MA law, which permitted the state to receive federal MA matching funds to support costs for enrollees with income up to 200% of the federal poverty level (FPL). Program revenue is available from rebates paid by pharmaceutical manufacturers whose drugs are covered under SeniorCare. Current base funding for SeniorCare benefits is \$113,718,400 (\$39,324,400 GPR, \$36,251,900 FED, and \$38,142,000 PR).

Enrollees first received benefits under the program beginning September 1, 2002. As of March 2005, there were approximately 87,500 individuals enrolled in SeniorCare.

GOVERNOR

Provide \$36,936,900 (\$16,465,100 GPR, \$17,506,600 FED, and \$2,965,200 PR) in 2005-06 and \$52,644,100 (\$23,099,000 GPR, \$22,381,700 FED, and \$7,163,400 PR) in 2006-07 to reflect a reestimate of the costs to continue funding SeniorCare benefits in the 2005-07 biennium, based on current law.

Enrollment. The administration projects that the average weekly enrollment will increase by approximately 0.6% to approximately 89,600 in 2004-05 from the comparable 2003-04

number (89,100), increase by 2.3% to approximately 91,700 recipients in 2005-06, and decrease by 1.9% to approximately 90,000 recipients in 2006-07. The projected decrease in enrollment in 2006-07 reflects an assumption that approximately 6,000 SeniorCare enrollees with income below 135% of the federal poverty level (FPL) will choose to enroll in Medicare Part D (the new prescription drug benefit under Medicare), beginning January 1, 2006, because these enrollees' copayments will be lower under the Medicare plan than under SeniorCare. The following table identifies the actual weekly average number of adults enrolled in the program in 2003-04, and the administration's projections for 2004-05, 2005-06, and 2006-0

Average Cost and Utilization Projections. The administration projects that the average cost per prescription will increase from \$42.32 in 2003-04 to \$45.04 in 2004-05 (6.4%), \$47.82 in 2005-06 (6.2%), and \$50.76 (6.2%) in 2006-07. Further, the administration projects that the average number of prescriptions per enrollee per week will increase from the actual average of 0.86 in 2003-04 to 0.91 in 2004-05, to 0.94 in 2005-06, and to 0.98 in 2006-07.

DISCUSSION POINTS

1. It is estimated that a total of \$146,893,000 (\$54,180,900 GPR, \$52,608,000 FED, and \$40,104,100 PR) in 2005-06 and \$162,009,700 (\$60,917,900 GPR, \$56,945,800 FED, and \$44,146,000 PR) in 2006-07 would be needed to fully fund the current SeniorCare program. This estimate does not reflect the fiscal effect of any of the program changes recommended by the Governor. The following table summarizes the current estimated costs to fully fund SeniorCare benefits in the 2005-07 biennium, by fund source.

SeniorCare Base Funding and Cost to Continue

	2004-05 Base	2005-06	2006-07	2005-06 Change to Base		2006-07 Change to Base	
				Amount	Percent	Amount	Percent
GPR	\$39,324,400	\$54,180,900	\$60,917,900	\$14,856,500	37.8%	\$21,593,500	54.9%
FED	36,251,900	52,608,000	56,945,800	16,356,100	45.1	20,693,900	57.1
PR	<u>38,142,100</u>	<u>40,104,100</u>	<u>44,146,000</u>	<u>1,962,000</u>	5.1	<u>6,003,900</u>	15.7
Total	\$113,718,400	\$146,893,000	\$162,009,700	\$33,174,600	29.2%	\$48,291,300	42.5%

2. This reestimate primarily reflects more recent information about SeniorCare enrollment and costs than was available at the time the administration prepared its projection. The current estimate is based on a projection that SeniorCare enrollment will average approximately 89,200 in 2005-06 and approximately 87,500 in 2006-07, which is slightly lower than the estimates used by the administration in preparing the Governor's bill. The current estimate reflects the administration's projections of average prescription costs and utilization.

3. The Governor's bill includes provisions that would reduce SeniorCare costs by

reducing payments DHFS makes to pharmacies that dispense drugs to SeniorCare recipients. These proposals will be addressed in other budget papers prepared by this office. In adopting this reestimate, the Committee would be adopting a new base for the program, which would be used to estimate the fiscal effect of program changes proposed by the Governor and the Legislature.

4. The new federal Medicare outpatient drug benefit, Medicare Part D, will become available to many SeniorCare recipients, beginning on January 1, 2006. A portion of the benefit costs of SeniorCare -- payments for drugs dispensed to SeniorCare recipients in families with countable income up to 200% of the FPL -- are supported by federal MA matching funds under the terms of a waiver agreement negotiated between the state and the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). This waiver will expire on June 30, 2007. CMS staff have indicated that it is possible that CMS will not renew the SeniorCare waiver because Medicare Part D is intended to provide this population with prescription drug assistance.

5. In the fall of 2004, DHFS conducted an analysis that compared the benefits and cost-sharing requirements of SeniorCare and the Part D benefit (based on limited information that was available at that time regarding the benefits) and concluded that approximately 6,000 individuals who are currently on SeniorCare with income less than 135% of the FPL who may meet the asset test of the Medicare Part D program would have fewer out-of-pocket costs for outpatient prescription drugs if they enrolled in Medicare Part D, rather than in SeniorCare. The Governor's estimate and the current estimate assumes that these individuals will disenroll from the SeniorCare program once the Medicare Part D benefits becomes available in January, 2006.

6. The following tables summarizes the total funding, by source, that would be provided to support the current program in the 2005-07 biennium, and the difference between the current estimate and the estimates included in AB 100.

	<u>Current Estimate</u>		<u>Change to Governor</u>	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
GPR	\$54,180,900	\$60,917,900	-\$1,608,600	-\$1,505,500
FED	52,608,000	56,945,800	-1,150,500	-1,687,800
PR	<u>40,104,100</u>	<u>44,146,000</u>	<u>-1,003,200</u>	<u>-1,159,500</u>
Total	\$146,893,000	\$162,009,700	-\$3,762,300	-\$4,352,800

MODIFICATION

Reduce funding in the bill by \$3,762,300 (-\$1,608,600 GPR, -\$1,150,500 FED, and -\$1,003,200 PR) in 2005-06 and by \$4,352,800 (-\$1,505,500 GPR, -\$1,687,800 FED, and -\$1,159,500 PR) in 2006-07 to reflect a reestimate of the costs to fully fund SeniorCare, based on current law.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$3,114,100	- \$2,838,300	- \$2,162,700	- \$8,115,100

Prepared by: Marlia Moore