



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #416

SeniorCare Base Reestimate (DHS -- Medical Assistance -- Overview and Base Funding Adjustments)

[LFB 2009-11 Budget Summary: Page 349, #5]

CURRENT LAW

SeniorCare, created as part of 2001 Wisconsin Act 16, is Wisconsin's prescription drug program for the elderly. Under current law, most Wisconsin residents age 65 and older with incomes not greater than 240% of the federal poverty level (FPL) are eligible to participate. Wisconsin seniors with higher incomes can also qualify for program benefits if they "spend down" to 240% of the FPL by incurring prescription drug costs. Program enrollees pay an enrollment fee of \$30 and are subject to deductibles and copayments based on their income. As of April, 2009, there were approximately 87,600 enrollees in the SeniorCare program.

Base funding for SeniorCare benefits is \$196,971,900 (\$61,826,600 GPR, \$53,732,100 FED, and \$81,413,200 PR). The state receives federal MA matching funds for benefits provided to enrollees with incomes less than 200% of the FPL. The program revenue consists of rebates drug manufacturers provide the state for the prescription drugs dispensed to SeniorCare enrollees.

GOVERNOR

Reduce funding for SeniorCare by \$61,444,100 (-\$19,186,600 GPR, -\$12,491,100 FED and -\$29,766,400 PR) in 2009-10 and by \$48,713,700 (-\$15,142,900 GPR, -\$8,590,300 FED and -\$24,980,500 PR) in 2010-11 to reflect the administration's estimate of the funding needed to support SeniorCare benefits in the 2009-11 biennium.

DISCUSSION POINTS

1. The SeniorCare program began paying benefits in 2002 pursuant to a waiver agreement between the state and the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). The original waiver expired in June, 2007, but was subsequently extended through December 31, 2009. The Department of Health Services (DHS) has requested that the SeniorCare waiver be renewed beyond the end of the current calendar year, but has not yet been advised by CMS whether that request has been granted. The funding reflected in AB 75 assumes the program will be renewed at least through the end of state fiscal year 2010-11.

2. The 2007-09 biennial budget (Act 20) provided \$169,633,600 (\$54,229,100 GPR, \$48,101,000 FED, and \$67,303,500 PR) for SeniorCare benefits in 2007-08. Actual benefit costs were significantly less than the budgeted amount, totaling \$127,054,900 (\$38,797,300 GPR, \$33,476,700 FED, and \$54,780,900 PR). The program's surplus GPR funding in 2007-08 satisfied a portion of the Act 20 and Act 226 lapse requirements.

3. These spending trends have continued in the current fiscal year. Based on actual expenditures through April, 2009, total SeniorCare benefit costs in 2008-09 are projected to be approximately \$125.3 million. That projected total is approximately 36% below budget, and is less than the administration anticipated when it developed the 2009-11 SeniorCare cost projections reflected in AB 75.

4. As in 2007-08, DHS intends to apply the projected SeniorCare GPR surplus in 2008-09 (approximately \$25.5 million) to partially satisfy the Department's lapse requirements under Act 20 and Act 226.

5. There are several reasons why SeniorCare costs have been less than projected under Act 20. First, the program's average weekly enrollment has declined from 104,525 in 2006-07, to 93,222 in 2007-08, to an estimated 87,900 in 2008-09. This decline may reflect the impact of the federal Medicare Part D plan. Coincident with implementation of Medicare Part D, SeniorCare enrollment increased, perhaps due to the desire of some individuals to enroll in a prescription drug plan with "creditable coverage" (such as SeniorCare) and thereby avoid the late enrollment penalties that could otherwise apply under Part D. More recently, some of those enrollees may be migrating to Part D prescription drug plans, particularly seniors who qualify for Part D's low income subsidy program.

6. Second, drug price inflation and drug utilization have been lower than they were during the program's initial years. In 2007-08, for instance, the combination of inflation and drug utilization increased program costs by approximately 7%, compared to 13% annual increases in prior years. In 2008-09, those factors continued to abate, reflecting, in part, a pharmacy rate reduction DHS implemented in November 2008.

7. Based on the enrollment and cost trends described above, and on the fact that 2008-09 benefit expenditures (that serve as the basis for forward projections) will be less than the

administration anticipated when it developed its projections for AB 75, this office has reestimated benefit expenditures for the SeniorCare program for the 2009-11 biennium. The following table compares the revised estimates to the funding levels in AB 75 funding levels. Note that the expenditure amounts shown in the table have been adjusted to reflect the impact of the temporary increases to the state's federal medical assistance percentage (FMAP) under the American Recovery and Reinvestment Act of 2009 (ARRA).

**Comparison of Current SeniorCare Cost Projections
To SeniorCare Funding Provided in AB 75**

	Current Estimate			AB 75			Biennial Difference
	2009-10	2010-11	Total	2009-10	2010-11	Total	
GPR	\$32,891,200	\$38,146,900	\$71,038,100	\$35,464,100	\$42,801,500	\$78,265,600	-\$7,227,500
FED	44,550,300	43,573,200	88,123,500	48,416,900	49,024,000	97,440,900	-9,317,400
PR	47,665,900	50,299,500	97,965,400	51,646,800	56,432,700	108,079,500	-10,114,100
Total	\$125,107,400	\$132,019,600	\$257,127,000	\$135,527,800	\$148,258,200	\$283,786,000	-\$26,659,000

8. Several other items in AB 75 affect the SeniorCare program. Those items include the administration's proposal to eliminate the 5% supplement pharmacies currently receive for dispensing drugs to SeniorCare enrollees (relative to the reimbursement they receive for dispensing those same drugs to MA recipients), as well as the administration's proposal to apply the 1% across-the board reduction and a portion of the currently unspecified MA reductions to the SeniorCare program. The effect of those proposals are not addressed in this paper.

MODIFICATION

1. Reduce funding in the bill by \$10,420,400 (-\$2,572,900 GPR, -\$3,866,600 FED, and -\$3,980,900 PR) in 2009-10 and by \$16,238,600 (-\$4,654,600 GPR, -\$5,450,800 FED, and -\$6,133,200 PR) in 2010-11, to reflect a re-estimate of the costs to fully fund SeniorCare, based on current law.

Change to Bill Funding	
GPR	- \$7,227,500
FED	- 9,317,400
PR	<u>- 10,114,100</u>
Total	- \$26,659,000

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