



Legislative Fiscal Bureau

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May 30, 2013

Joint Committee on Finance

Paper #323

SeniorCare Base Reestimate (DHS -- Medical Assistance and Related Programs)

[LFB 2013-15 Budget Summary: Page 216, #6]

CURRENT LAW

SeniorCare provides prescription drug benefits to Wisconsin residents ages 65 and older who do not qualify for prescription drug coverage under the state's medical assistance (MA) program.

The program has four benefit levels, based on the enrollee's household income. Level 1 is for individuals with household incomes not greater than 160% of the federal poverty level (FPL). These enrollees do not have a deductible. Level 2a is for individuals with household incomes greater than 160% of the FPL, but not greater than 200% of the FPL. These enrollees must meet a \$500 annual deductible. Level 2b is for individuals with household incomes greater than 200% of the FPL, but not greater than 240% of the FPL. These enrollees must meet an annual deductible of \$850. Level 3 is for individuals with household incomes greater than 240% of the FPL. Level 3 enrollees must first "spend down" by incurring prescription drug costs equal to the difference between their household income and 240% of the FPL. After they meet that spend-down requirement, Level 3 enrollees must satisfy an \$850 annual deductible.

Once a SeniorCare enrollee meets their annual deductible, if any, they can obtain prescription drugs covered by the program by paying a \$5 copayment for generic drug prescriptions and a \$15 copayment for brand-name drug prescriptions. Participants are also required to pay a \$30 annual enrollment fee.

SeniorCare enrollees with household incomes not greater than 200% of the FPL (Levels 1 and 2a) are part of the SeniorCare waiver program that operates under an agreement between the Department of Health Services (DHS) and the federal government. Under that waiver, the state receives federal matching funds at its standard federal medical assistance percentage (FMAP) of approximately 59% to partially support benefit costs for participants in Levels 1 and 2a. The

current SeniorCare waiver runs through December 31, 2015.

Base funding for SeniorCare benefits in 2012-13 is \$120,647,000 (\$30,880,200 GPR, \$31,689,100 FED, and \$58,077,700 PR). The program revenue (PR) consists of rebates the state receives from manufacturers whose prescription drugs are obtained by SeniorCare participants.

GOVERNOR

Reduce funding for SeniorCare benefits by \$27,650,000 (-\$10,196,400 GPR, -\$13,647,900 FED, and -\$3,805,700 PR) in 2013-14 and by \$24,018,500 (-\$9,307,300 GPR, -\$13,043,800 FED, and -\$1,667,400 PR) in 2014-15 to reflect estimates of the amounts needed to fully fund program benefits in the 2013-15 biennium.

DISCUSSION POINTS

1. SeniorCare expenditures have declined steadily over the past seven years. That trend is reflected in Table 1, which shows actual benefit expenditures for fiscal years 2006-07 through 2011-12, and projected expenditures for 2012-13.

TABLE 1

**SeniorCare Benefit Expenditures
2006-07 through 2012-13**

	Actual						Estimate 2012-13
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
GPR	\$45,668,300	\$38,797,300	\$33,983,200	\$18,273,100	\$20,407,200	\$21,200,200	\$15,600,000
FED	41,875,500	33,476,700	50,696,300	16,741,000	23,130,600	15,382,300	14,700,000
PR	<u>53,198,000</u>	<u>54,780,900</u>	<u>40,033,800</u>	<u>79,682,300</u>	<u>64,348,800</u>	<u>51,614,800</u>	<u>50,200,000</u>
Total Expenditures	\$140,741,800	\$127,054,900	\$124,713,300	\$114,696,400	\$107,886,600	\$88,197,300	\$80,500,000
Percent Chg. From Prior Year	0.1%	-9.7%	-1.8%	-8.0%	-5.9%	-18.2%	-8.7%

2. Table 2 shows the program's total average enrollment during that same period, broken out by the four eligibility levels described above.

TABLE 2**SeniorCare Enrollment, by Participation Level
2006-07 through 2012-13**

	Actual						Estimate
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Level 1 (0% - 160% FPL)	49,100	43,300	40,100	39,500	39,200	37,400	35,200
Level 2a (160% - 200% FPL)	24,500	22,000	20,600	20,700	20,600	19,500	18,500
Level 2b (200% - 240% FPL)	14,900	13,200	12,100	11,800	11,600	10,900	10,300
Level 3 (>240% FPL)	<u>16,000</u>	<u>14,800</u>	<u>14,900</u>	<u>15,700</u>	<u>17,800</u>	<u>19,800</u>	<u>21,700</u>
Total Average Enrollment	104,500	93,300	87,700	87,700	89,200	87,600	85,700
Percent Chg. From Prior Year	12.5%	-10.7%	-6.0%	0.0%	1.7%	-1.8%	-2.2%

3. Several factors are contributing to the decline in expenditures and enrollment that have occurred since 2006-07. The most significant is Medicare Part D, which began providing prescription drug coverage to individuals ages 65 and older in January 2006. It is not known how many individuals have discontinued SeniorCare coverage to instead enroll in Medicare Part D, or the number who would have enrolled in SeniorCare but for Medicare Part D. But it is evident from the program's enrollment trends that the emergence of the Medicare Part D alternative has reduced the number of individuals participating in SeniorCare.

4. Another Medicare Part D-related development is that approximately 13,800 SeniorCare participants, or 16% of the program's total enrollment, are enrolled both in SeniorCare and Medicare Part D. This serves to reduce SeniorCare costs because the program only pays for that portion of an enrollee's prescription drug costs not covered by other insurance, including Medicare Part D.

5. In addition, the Patient Protection and Affordable Care Act (ACA) has reduced the share of prescription drug costs borne by seniors in the Medicare Part D "doughnut hole" (the term for the gap in coverage that occurs under standard Medicare Part D plans after the participant exceeds their initial coverage limit but before they access catastrophic coverage). In 2010, enrollees in a standard Medicare Part D plan were responsible for 100% of their prescription drug costs in the doughnut hole. Under the ACA, that percentage had declined to 50% (for covered brand-name drugs) and 86% (for covered generic drugs) in 2012. Because Medicare Part D now pays for a larger share of prescription drug costs in the doughnut hole, SeniorCare is likely to bear a smaller share of the costs for individuals who participate in both Medicare Part D and SeniorCare.

6. There has also been an enrollment shift within SeniorCare since 2006-07, as shown in Table 2. In 2006-07, there were 88,500 individuals, on average, enrolled in SeniorCare Levels 1, 2a, and 2b. In the current fiscal year, that combined total is projected to be 64,000, a decline of 27.7% during that period. Conversely, enrollment in Level 3 increased by 35.7% during that same period, from 16,000 to 21,700. This shift has fiscal implications because the program spends relatively little on Level 3 participants (approximately \$1.60 per week, on average) compared to what it spends on participants in Levels 1, 2a, and 2b (approximately \$23.50 per week, on average).

One reason program expenditures for Level 3 enrollees are low is that these individuals must satisfy both the spend-down requirement and an \$850 annual deductible. In addition, some Level 3 participants with comparatively low prescription drug needs are probably enrolled in SeniorCare primarily to maintain "creditable coverage" and thereby avoid Medicare Part D late enrollment penalties, rather than accessing the program's prescription drug benefits.

7. DHS has also identified an increased reliance on generic drugs as another reason program expenditures have declined. This shift toward generics is consistent with the fact that in recent years, several major brand name drugs have gone off-patent, thereby opening the door to lower priced generic alternatives.

8. For the reasons outlined above, SeniorCare expenditures are estimated to total approximately \$80.5 million (\$15.6 million GPR, \$14.7 million FED, and \$50.2 million PR) in 2012-13. This would result in an unexpended year-end balance in the program's GPR appropriation of approximately \$23.0 million. In its quarterly MA status report to the Committee dated March 29, 2013, DHS indicated that it planned to request that the Committee transfer that unexpended balance to the MA program under s. 13.10 to address a shortfall in the latter. It should be noted that \$18.0 million of the projected 2012-13 balance is accounted for in the 2013-14 general fund opening balance of AB 40.

9. The updated expenditure projection of \$80.5 million (all funds) for 2012-13 is less than the \$89,905,700 estimate the administration used when developing the SeniorCare cost-to-continue item for the 2013-15 budget. The administration's estimate for 2012-13 was identical to the 2012-13 projection DHS used in its September, 2012, agency budget request. The downward revision to \$80.5 million (all funds) for 2012-13 reflects actual program trends that have occurred since last September.

10. The revised expenditure estimate for 2012-13 suggests that the cost-to-continue funding for SeniorCare benefits in the bill can be reduced. The updated projections for 2013-14 and 2014-15 are shown in Table 3. The revised projections incorporate the adjusted estimate for 2012-13, while retaining the projected funding splits (GPR/FED/PR) and expenditure trends (3.4% in 2013-14 and 3.9% in 2014-15) used by the administration in AB 40. The updated projections assume modest increases in total SeniorCare enrollment of 1.7% in 2013-14 (to 87,100) and 0.9% in 2014-15 (to 87,900).

TABLE 3**Revised Projection of SeniorCare Expenditures,
Compared to Funding in AB 40**

	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
FY 2013-14				
AB 40	\$20,683,800	\$18,041,200	\$54,272,000	\$92,997,000
Revised Estimate.	<u>18,519,900</u>	<u>16,152,800</u>	<u>48,594,200</u>	<u>83,266,900</u>
Change to Bill	-\$2,163,900	-\$1,888,400	-\$5,677,800	-\$9,730,100
FY 2014-15				
AB 40	\$21,572,900	\$18,645,300	\$56,410,300	\$96,628,500
Revised Estimate	<u>19,316,000</u>	<u>16,694,700</u>	<u>50,508,800</u>	<u>86,519,500</u>
Change to Bill	-\$2,256,900	-\$1,950,600	-\$5,901,500	-\$10,109,000
Biennium				
AB 40	\$42,256,700	\$36,686,500	\$110,682,300	\$189,625,500
Revised Estimate	<u>37,835,900</u>	<u>32,847,500</u>	<u>99,103,000</u>	<u>169,786,400</u>
Change to Bill	-\$4,420,800	-\$3,839,000	-\$11,579,300	-\$19,839,100

MODIFICATION

Decrease funding in the bill by \$9,730,100 (-\$2,163,900 GPR, -\$1,888,400 FED, and -\$5,677,800 PR) in 2013-14 and by \$10,109,000 (-\$2,256,900 GPR, -\$1,950,600 FED, and -\$5,901,500 PR) in 2014-15 to reflect a reestimate of the cost to fully fund SeniorCare benefits in the 2013-15 biennium.

Change to Bill Funding	
GPR	- \$4,420,800
FED	- 3,839,000
PR	<u>- 11,579,300</u>
Total	- \$19,839,100

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