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May 24, 2001 Joint Committee on Finance Paper #496

Disease Aids -- Patient Liability for Costs (DHFS -- Health)

[LFB 2001-03 Budget Summary: Page 377, #13]

CURRENT LAW

The Wisconsin chronic disease program (WCDP) reimburses providers for medical services provided to eligible individuals with kidney disease, cystic fibrosis and hemophilia. The WCDP is the payer of last resort so that, before billing the WCDP, providers are required to seek payment for services from Medicare, medical assistance (MA) and other health plans if the individual is eligible for coverage under these plans. DHFS promulgates rules that require eligible persons whose income exceeds specified limits to obligate or expend a portion of their income toward the cost of medical treatment. DHFS is required to develop and implement a sliding scale of patient liability for medical expenses based on the patient's ability to pay. DHFS is required to review and, if necessary, revise the sliding scale every three years, to ensure that patients with lower incomes receive priority within the availability of funds. Base funding for the program is $4,932,000 GPR.

To be eligible for the WDCP, an individual must be a state resident and be diagnosed as having end-stage renal disease, hemophilia or adult cystic fibrosis. Recipients are required to pay a portion of the medical expenses, referred to as "coinsurance." The coinsurance amounts are equal to a percent of the charges for medical services, and this percentage varies based on family size and income, as shown in the attachment to this paper. In addition, individuals who have end-stage renal disease and are eligible for Medicare must participate in Medicare B (physician and outpatient services). The total out of pocket liability for deductibles and coinsurance is limited to a percent of the individual's income as determined by DHFS, by rule. The following table provides a summary of the current limits.

Wisconsin Chronic Disease Program
Limit on Coinsurance and Deductibles

Annual Income	Limit as a Percent of Income
Up to $10,000	3%
$10,001 to $20,000	4
$20,001 to $40,000	5
$40,001 to 60,000	6
$60,001 to $80,000	7
$80,001 to $100,000	9
$100,001 and Greater	10

Individuals in families with income above 300% of the federal poverty level (FPL) are also required to pay the following annual income deductibles, in addition to the out-of-pocket amounts identified above: (a) 1.25% of income for families with income between 300% to 325% of the FPL; (b) 1.5% of income for families with income between 326% and 350% of the FPL; and (c) 2.25% of income for families with income between 351% and 375% of the FPL; (d) 3% of income for families with income between 376% and 400% of the FPL; and (e) 4% of income for families with income greater than 400% of the FPL.

The following services are eligible for reimbursement under the program.

Chronic Renal Disease

- Inpatient and outpatient dialysis and transplant treatment;
- One pre-transplant dental examination, diagnosis and x-ray;
- Kidney donor transplant-related medical services;
- Certain prescription medications;
- Certain home supplies; and
- Certain laboratory and x-ray services.

Adult Cystic Fibrosis

- Inpatient and outpatient services directly related to the disease;
- Certain physician services;
- Certain laboratory and x-ray services;
- Certain prescription medications; and
- Certain home supplies.
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Hemophilia Home Care

- Hemophilia home care recipients are only eligible to receive services for blood

derivatives and supplies necessary for home care.

A total of 6,310 people were eligible for services under the disease aid program in 1999-00, including 6,004 persons with chronic renal disease, 176 persons with hemophilia and 130 persons with cystic fibrosis

GOVERNOR

Authorize DHFS to revise the sliding scale to determine patient liability for costs as frequently as necessary to ensure that the needs for treatment of patients with lower incomes receive priority within the amounts budgeted.

DISCUSSION POINTS

1. In its 2001-03 budget submission, DHFS requested $278,800 GPR in 2001-02 and $692,500 GPR in 2002-03 to fund projected program costs in the 2001-03 biennium. Instead of providing additional funding for the program, the Governor's bill would require DHFS to revise the sliding scale for determining patient liability for costs as frequently as necessary to ensure that the needs for treatment of patients with lower incomes receive priority within the amounts budgeted. Under these provisions, DHFS would have to increase patients' coinsurance amounts so that the increased costs of the program ($971,300 in the biennium) would be borne by persons enrolled in the program.

2. DHFS was first required to develop a sliding scale for determining patient liability for program costs under 1983 Wisconsin Act 27 as a means to control program costs. 1993 Act 16 required DHFS to develop and promulgate emergency rules to revise the fee scale, and required the Department to review, and if necessary, revise the sliding scale every three years, thereafter. As a result, a new schedule was developed, effective January 1, 1994. DHFS has not since revised the scale.

3. Although the bill would allow DHFS to revise the schedule whenever necessary to ensure that patients with low incomes receive priority, most persons enrolled in the program have low incomes. In 2000, 86% of recipients of chronic renal disease aids, 70% of hemophilia aid recipients and 49% of recipients of aids for adult cystic fibrosis had family incomes of less than $25,000.

4. DHFS has identified other measures that could be adopted to reduce the need to provide additional GPR funding for the program, including: (1) reducing rates paid to pharmacies for most drugs purchased under the program, from the current rate (the average wholesale price minus 10% plus a dispensing fee) to the average wholesale price minus 15% plus a dispensing fee, the same rate reduction the Governor proposed for drugs purchased under the MA program; and (2) requiring drug manufacturers to enter into rebate agreements with the state to generate revenues that would be available to offset a portion of the program's costs, as a condition of having their drugs

available for purchase under the program.

5. Drug costs under the WCDP are projected to be $3,207,000 in 2001-02 and $3,527,700 in 2002-03. If the payment rate for drugs were reduced to the average wholesale price less 15%, projected program costs would be reduced by an estimated $160,300 in 2001-02 and $176,400 in 2002-03, or $336,700 over the biennium.

6. Both the MA program and the AIDS drug reimbursement program require manufacturers to enter into rebate agreements as a condition of having their drugs covered under these programs. Revenue from the rebates is used to partially offset program costs. MA drug costs are offset by approximately 18% because of the availability of rebate revenue. DHFS staff indicate that the earliest a rebate program could be implemented for the disease aids program would be January, 2002. It is estimated that, if manufacturers were required to enter into rebate agreements as a condition of participating in the program, the state would receive rebate revenues totaling $288,600 in 2001-02 and $635,000 in 2002-03, or $923,600 in the biennium

7. If the proposed measures to reduce costs under the program were adopted, DHFS would not likely need to modify patient liability amounts, as authorized under the bill. However, the Committee may want to approve the Governor's recommendation, in addition to implementing measures to reduce program costs, so that if program expenditures exceed the expected levels, DHFS would have sufficient authority to modify eligibility to ensure that patients with lower incomes receive priority within the budgeted amounts.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to authorize DHFS to revise the sliding scale DHFS uses to determine patient liability for costs under the disease aids program as frequently as necessary to determine that the needs for treatment of patients with lower incomes receive priority within the amounts budgeted for the program.

2. Adopt the Governor's recommended statutory change. In addition, reduce funding by $170,100 GPR in 2001-02 and $118,900 GPR in 2002-03 to reflect projected cost savings by adopting both of the following measures: (a) authorizing DHFS to reimburse drug providers, under the disease aid program, at the average wholesale price less 15% plus a dispensing fee; and (b) requiring DHFS to implement a drug rebate program, based on the terms of the MA rebate agreement.

Alternative 2	**GPR**
2001-03 REVENUE (Change to Bill)	**-** $289,000

3. Adopt the Governor's proposed statutory change. In addition, authorize DHFS to reimburse pharmacies under the disease aid program at a rate equal to the average wholesale price,

less 15%, plus the current MA dispensing fee. Estimated savings of $336,700 over the biennium would be used to partially offset projected program cost increases.

4. Require DHFS to implement a drug rebate program for the WCDP. Specify that only drugs manufactured by firms that enter into rebate agreements with the state that are based on the MA rebate agreement may be covered under the program. Estimated savings of $923,600 over the biennium would be used to partially offset projected program cost increases.

5. Delete the Governor's recommendations. Instead, provide $278,800 GPR in 2001-02 and $692,500 GPR in 2002-03 to fund projected costs of the program in the 2001-03 biennium.

Alternative 5	**GPR**
2001-03 FUNDING (Change to Bill)	$971,300

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