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May 24, 2011 Joint Committee on Finance Paper #343

SeniorCare Base Reestimate (DHS -- Medical Assistance -- Services)

[LFB 2011-13 Budget Summary: Page 217, #6]

CURRENT LAW

SeniorCare provides prescription drug benefits to Wisconsin residents who are age 65 or older and who are not eligible for full benefits under medical assistance. The program has four benefit levels, based on the enrollee's income. Level 1 is for individuals with incomes not greater than 160% of the federal poverty level (FPL). These enrollees do not have to meet a deductible. Level 2a is for individuals with incomes greater than 160% of the FPL but not greater than 200% of the FPL. These individuals must meet a $500 annual deductible. Level 2b is for individuals with incomes greater than 200% of the FPL but not greater than 240% of the FPL. These individuals must meet an $850 annual deductible. Level 3 is for individuals with incomes greater than 240% of the FPL. These enrollees must first "spend down" by incurring prescription drug costs equal to the difference between their income and 240% of the FPL. After Level 3 enrollees satisfy their spend-down requirement they must meet an $850 annual deductible. Once a SeniorCare participant meets their deductible, if any, they can obtain prescription drugs covered by the SeniorCare program by paying a $5 copayment for generic drugs and a $15 copayment for brand-name drugs. SeniorCare members must pay a $30 annual enrollment fee to participate. The program does not have an asset test.

SeniorCare participants in Levels 1 and 2a are part of the SeniorCare waiver program that operates pursuant to a waiver agreement between the Department of Health Services (DHS) and the federal government. Under the waiver, the state receives federal MA matching funds to help support benefit costs for participants with incomes not greater than 200% of the FPL. The current SeniorCare waiver expires on December 31, 2012.

Base funding for SeniorCare is $119,535,400 ($33,125,800 GPR, $36,924,200 FED, and $49,485,400 PR). The program revenue consists of rebates the state receives from drug manufacturers whose prescription drugs are obtained by SeniorCare participants.

GOVERNOR

Reduce funding for SeniorCare benefits by $11,874,500 (-$4,123,300 GPR, -$6,995,900 FED, and -$755,300 PR) in 2011-12 and by $2,226,100 (-$1,460,900 GPR, -$4,377,000 FED, and $3,611,800 PR) in 2012-13 to reflect the administration's estimate of the funding needed to support SeniorCare benefits in the 2011-13 biennium under current law.

DISCUSSION POINTS

1. The SeniorCare base reestimate attempts to project the funding needed to pay program benefits in the upcoming fiscal biennium assuming no changes to current law. As such, it does not reflect any programmatic or fiscal changes potentially associated with the Governor's proposal to require SeniorCare participants to apply for, and if eligible to enroll in, Medicare Part D. That proposal is addressed in a separate budget paper. In addition, the funding in the bill is based on the premise that DHS will seek a renewal of the SeniorCare waiver, which is scheduled to terminate on December 31, 2012. In the absence of legislative changes to the program, DHS will be required to administer the program to conform with the statutory provisions relating to the program under s. 49.688 of the statutes.

2. Table 1 provides the following information for the SeniorCare program for state fiscal years 2007-08 through 2009-10 (actual) and 2010-11 (projected): (a) total benefit expenditures (all funds); (b) average monthly enrollment; and (c) average benefit expenditures (all funds) per SeniorCare enrollee.

TABLE 1

SeniorCare Expenditures and Enrollment
SFY 2007-08 through 2010-11

	Actual SFY 2007-08	Actual SFY 2008-09	Actual SFY 2009-10	Projected SFY 2010-11
Total Benefit Expenditures (AF)	$127,054,900	$124,713,300	$114,696,400	$109,420,100
Total Avg. Monthly Enrollment	93,300	87,700	87,700	90,000
Avg. Expends/Enrollee	$1,362	$1,422	$1,308	$1,216
% Chg. in Avg. Expends/Enrollee	1.0%	+4.4%	-8.0%	-7.0%

3. As Table 1 indicates, total SeniorCare expenditures declined in 2008-09 and 2009-10 from the previous fiscal years, and are projected to decline again in 2010-11. Decreased enrollment has been one reason for those expenditure declines. Coinciding with the start of the federal Medicare Part D prescription drug program in January 2006, SeniorCare enrollment peaked in 2006-07 as some individuals enrolled in SeniorCare to obtain "creditable coverage" in order to avoid late enrollment penalties under Part D. In the years that followed immediately thereafter, SeniorCare enrollment declined as some of those individuals gravitated to Part D plans. By 2008-09, the program had returned to its pre-Part D enrollment levels.

4. SeniorCare enrollment stabilized in 2009-10, and in 2010-11 average monthly enrollment is expected to increase by approximately 2.6% from the previous year. DHS attributes the enrollment trend of the past two years as an indication that the shift from SeniorCare to Part D has stabilized. That belief is reflected in the bill's assumption that SeniorCare enrollment will increase by 2.0% in each year of the 2011-13 biennium. While changes in enrollment are difficult to predict, the administration's 2.0% growth assumption appears reasonable, given the program's recent experience.

5. Table 1 also shows that the average cost per SeniorCare participant has declined in recent years. Several factors may have contributed to those declining per member costs. First, after the Medicare Part D outpatient drug benefit became available, there was growth in the number of SeniorCare recipients who are also enrolled in Medicare Part D. There are currently approximately 12,000 SeniorCare enrollees who are also enrolled in Medicare Part D. For these participants, Part D is the primary payer for their prescription drugs, and SeniorCare provide supplemental coverage. Consequently, the average cost to SeniorCare for providing coverage to this group is much less than the average cost of other SeniorCare enrollees. In addition, 2009 Act 28 eliminated the 5% premium pharmacists formerly received for dispensing drugs under the SeniorCare program (compared to the reimbursement they received for dispensing the same drug under the MA program). There may be other policy changes implemented as part of the Department's ForwardHealth rate reform initiatives that also reduced per member costs.

6. The funding provided in the bill assumes the downward trend in per enrollee costs has ended, and that those costs will increase by 7.0% per year in the 2011-13 biennium. DHS based that projection in part on its assumption, discussed above, that the shift toward Part D plans has stabilized. The projection also recognizes that some of the policy changes that contributed to the downward shift in per member costs in 2009-10 and 2010-11 will not provide a comparable reduction in the upcoming biennium since they are now reflected in the SeniorCare reimbursement structure.

7. Several modifications can be made to the funding in the bill for SeniorCare benefits. First, total expenditures in state fiscal 2010-11 (which serve as the starting point for expenditure projections going forward) are expected to be approximately $9.7 million (AF) higher than the amount the Department assumed in its projections ($109.4 million versus $99.7 million).

8. Second, the Department's assumption that per member costs will increase 7.0% per year in the 2011-13 biennium appears high based on the program's recent experience, and given the lower annual increases the administration is projecting for prescription drug expenditures in the medical assistance program, including those parts of the MA program that serve elderly, blind, and disabled individuals. For those reasons, the reestimate assumes more moderate annual increases of 3.5% in per member costs.

9. Third, the Department's projections assumed drug rebates would fund approximately 45.0% of the program's all funds benefit expenditures. More recent information, however, suggests that the actual rebate percentage in 2010-11 will be closer to 50.0%. Based on this updated information, the reestimate assumes drug rebates will fund approximately 48.0% of SeniorCare AF expenditures in the 2011-13 biennium.

10. The net effect of these adjustments is shown in Table 2.

TABLE 2

Comparison of Revised SeniorCare Cost Projections To SeniorCare Funding Provided in the Bill

	Funding in the Bill			LFB Reestimate			Biennial
	2011-12	2012-13	Total	2011-12	2012-13	Total	Reestimate
GPR	$29,002,500	$31,664,900	$60,667,400	$29,231,600	$30,880,200	$60,111,800	-$555,600
FED	29,928,300	32,547,200	62,475,500	30,118,500	31,689,100	61,807,600	-667,900
PR	48,730,100	53,097,200	101,827,300	55,089,700	58,077,700	113,167,400	11,340,100
Total	$107,660,900	$117,309,300	$224,970,200	$114,439,800	$120,647,000	$235,086,800	$10,116,600

MODIFICATION

Increase funding in the bill by $6,778,900 ($229,100 GPR, $190,200 FED, and $6,359,600 PR) in 2011-12 and by $3,337,700 (-$784,700 GPR, -$858,100 FED, and $4,980,500 PR) in 2012-13 to reflect a reestimate of the costs to fully fund SeniorCare, based on current law.

	Change to Bill Funding
GPR	- $555,600
FED	- 667,900
PR	11,340,100
Total	$10,116,600

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