



Budget Briefs

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(Revised income eligibility levels)

SENIORCARE

The biennial state budget act (2001 Wisconsin Act 16), passed by the legislature and signed by Governor Scott McCallum on August 30, 2001, creates a prescription drug assistance program for Wisconsin senior citizens with low to moderate incomes. Popularly known as SeniorCare, the program will be financed by participants' fees, state funding, and drug manufacturers' rebates.

Act 16 appropriates \$51.9 million for SeniorCare in the current biennium, with \$2 million allocated for startup costs and \$49.9 million applied to the first 10 months of program operations (September 2002 through June 2003). The projected cost for a full year's operation is currently estimated at \$78 million.

ELIGIBILITY

SeniorCare is scheduled to begin operations on September 1, 2002. To be eligible for assistance with prescription drug costs, a Wisconsin senior must meet the following qualifications:

- Be a state resident at least 65 years of age.
- Not be receiving benefits under the Medical Assistance program.
- Have an annual household income (as defined by the Department of Health and Family Services) at or below 240% of the federal poverty level.
- Pay a \$20 annual enrollment fee.

As a benchmark, based on 2002 federal poverty levels, a single person with an income of \$21,264 or a married couple with an income of \$28,656 would currently be eligible under the 240% cutoff. Act 16 requires the Department of Health and Family Services (DHFS) to set the criteria for determining the definition of household income.

It is estimated that nearly 260,000 Wisconsin seniors, or 40% of the targeted age group, will meet the income eligibility requirements. Of this number, approximately 160,000 are expected to enroll. If SeniorCare does serve this projected number of enrollees, it will be one of the most inclusive programs in the nation (the projected 160,000 would represent about 20% of the state's over-65 population).

PROGRAM PROVISIONS

Qualified seniors may enroll in SeniorCare by paying a \$20 annual enrollment fee. Each participant is then required to meet a \$500 deductible in each 12-month period of enrollment through the purchase of prescription drugs at a discounted rate. After meeting the deductible, the enrollee is charged for drug purchases at the rate of a \$5 copayment for each generic drug prescription and a \$15 copayment for a brand name drug. Individuals who would be eligible for SeniorCare but already have insurance coverage for prescription drugs may still qualify for assistance with costs that are not covered by their other plans.

The \$500 deductible is waived for those with annual incomes of less than 160% of the federal poverty level (currently \$14,176 for individuals and \$19,104 for couples), but they are charged the standard copayments. It is estimated that approximately 76,000 of the enrollees would qualify for this waiver.

SeniorCare is available to those whose household income exceeds the 240% limit if they have catastrophic drug costs. They may enroll for \$20 for the remainder of a 12-month period after they reduce their net income to the 240% cutoff by spending down for prescription drugs at the retail price. They still must meet the \$500 deductible previously mentioned before they are eligible for the \$5 and \$15 copayments through purchase of the drugs at the discounted rate.

FINANCING SENIORCARE

Pharmacists participating in SeniorCare are reimbursed at the price of the drug under the Medical Assistance (MA) schedule plus an additional 5% and the dispensing fee allowed by MA. Pharmacists who participate in the state's MA program are required to serve SeniorCare enrollees. (Reimbursement rates to participating pharmacists will be about 81% of the customary and usual retail price.) Similarly, drug manufacturers must agree to offer the state the same rebates for drug sales under SeniorCare as those they have agreed to give the state under the MA program. The manufacturers' rebate requirement does not apply when funding is insufficient to operate SeniorCare in a particular fiscal year.

If the costs of the program exceed the amount appropriated for the fiscal year, the state will suspend prescription drug sales under the SeniorCare program, leaving seniors to purchase their drugs at retail prices as before. The department is directed to continue taking applications and determining eligibility but must inform applicants that benefits are contingent upon the availability of funding.

When enacting SeniorCare, the legislature also created an 18 cent-per-pack cigarette tax increase, which will raise the current tax to 77 cents per pack, beginning October 1, 2001. This increase is expected to generate \$34.4 million a year. Although the revenue produced by the tax increase is not directly tied to the drug-purchase program, it was viewed as an offset to the state expenditure for SeniorCare.

COORDINATION WITH FEDERAL PROGRAMS

Act 16 requires DHFS to seek a federal waiver from the U.S. Department of Health and Human Services to include SeniorCare participants in Wisconsin's Medical Assistance program (commonly referred to as Medicaid) for purposes of prescription drug coverage only. If a waiver is granted, the federal government would cover approximately half the SeniorCare drug costs.

If Congress amends the federal Medicare program to provide coverage of prescription drugs for outpatient care, DHFS is directed by Act 16 to submit a report to the appropriate legislative committee that analyzes the federal and state programs and provides recommendations for alignment of the two.

ESTIMATED SAVINGS TO ENROLLEES

The Legislative Fiscal Bureau prepared an illustration of the savings SeniorCare could offer in a memo, dated July 23, 2001. It based the estimate on a hypothetical senior with an annual bill of \$1,600 in retail value prescriptions. Assuming the individual had to pay the \$500 deductible and 5 copayments totaling \$130 (a combination of generic and brand name prescription drugs), the estimated benefit, which is considered average for the state, would save the individual \$970 per year.

FURTHER INFORMATION

Copies of Section 49.688, Wisconsin Statutes, may be obtained by calling the Legislative Reference Bureau at (608) 266-0342 or downloaded at www.legis.state.wi.us.