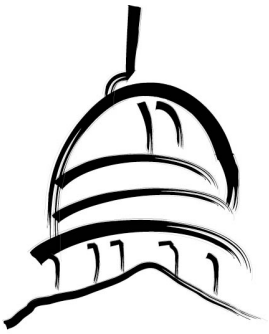
SeniorCare



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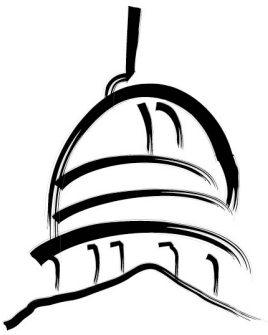

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SeniorCare

SeniorCare, created in 2001 Wisconsin Act 16 (the 2001-03 biennial budget act), provides assistance to individuals that are 65 years of age or older with the purchase of prescription drugs. The program began September 1, 2002. Benefits are funded with a combination of general purpose revenue (GPR), federal medical assistance (MA) matching funds, and rebate revenue received from pharmaceutical manufacturers. Administrative costs are funded with revenue from payment of a $20 annual enrollment fee, which is required of all SeniorCare participants. Additionally, SeniorCare costs are partially offset by cost-sharing requirements for participants, discounted prices absorbed by pharmacies and payments from third parties that are also liable for participants' prescription drug costs. SeniorCare is administered by the Department of Health and Family Services (DHFS).

Eligibility

To be eligible for SeniorCare, an individual must be a Wisconsin resident who is 65 years of age or older and pay a $20 annual enrollment fee. While any individual that meets these eligibility requirements can enroll in SeniorCare regardless of his or her income, the amount of a person's income determines the amount of cost-sharing required of that person. Assets are not factored in determining eligibility for SeniorCare or the amount of cost-sharing required of participants.

Individuals with other prescription drug coverage are eligible to participate in SeniorCare, although SeniorCare is a payor of last resort. This means that SeniorCare only pays for that portion of the eligible costs that are not payable from other sources. However, individuals with prescription drug coverage under MA are not eligible to participate in SeniorCare.

Eligibility begins on the first day of the month after the date DHFS receives a completed application and the person meets all of the eligibility requirements.

SeniorCare participants are required to re-enroll and pay the enrollment fee, every 12 months to remain eligible for SeniorCare benefits.

As of November, 2002, 68,476 individuals were enrolled in SeniorCare.

Applications and Eligibility Determinations. DHFS processes applications through a centralized application processing operation. Individuals can apply for SeniorCare by contacting their local office on aging, senior center or aging resource center. Applications are also available for printing from the DHFS website (http://www.dhfs.state.wi.us/seniorcare/index.htm) or by calling 1-800-657-2038 (TTY and translation services are available) to have an application mailed to an individual. In addition, many pharmacies have copies of the SeniorCare brochure, developed by DHFS, which includes information on how and where to apply. Once completed, an individual is required to mail the application, along with the enrollment fee, to the DHFS post office box identified on the application form.

Once DHFS receives a completed and signed application, the Department must determine the applicant's eligibility for SeniorCare as soon as possible, but no later than 30 days from the date it receives a signed application that contains, at a minimum, the name and address of the applicant. DHFS is required to notify an applicant in writing if there is a delay in processing the application due to a delay in securing necessary information for determining eligibility.

An applicant who is notified that he or she is eligible for SeniorCare and has not received any SeniorCare benefits, may request to withdraw their SeniorCare application and receive a refund of the enrollment fee up to 10 days following the issuance of an eligibility notice, or 30 days from the date the application was filed, whichever is later.

Right to Appeal. Any individual whose application for SeniorCare is denied or is not acted upon promptly, or who believes that the benefits or services they receive have not been properly determined, may file an appeal of that decision or lack of a decision within 45 days from the effective date of the action. A request for a hearing on an appeal must be made in writing and only to the Department of Administration's Division of Hearings and Appeals.

Cost-Sharing Requirements

All SeniorCare participants are required to partially contribute towards the costs of the program through payment of an enrollment fee and other cost-sharing requirements. This section describes the types of cost-sharing required of participants, describes the three levels of participation available to SeniorCare enrollees, based on their income, and provides the definition of income used when determining participation levels.

Types of Cost-Sharing Requirements. In addition to the enrollment fee, which is required of all participants as a condition of eligibility, cost-sharing requirements include copayments, deductibles and spenddown requirements.

An individual enrolled in SeniorCare receives a SeniorCare card, which must be presented to a pharmacy at the time the participant purchases prescription drugs. By using this card for the purchase of prescription drugs, DHFS electronically tracks an individual's prescription drug purchases so the pharmacy knows how much to charge the enrollee at the time of purchase.

Copayments. A copayment is required for each drug purchased under SeniorCare for which SeniorCare reimburses the pharmacy for the cost of the drug purchased up to the SeniorCare reimbursement rate. The copayment is $5 for each generic drug and $15 for each brand-name drug and is paid to the pharmacy at the time of purchase. The amount of reimbursement paid to the pharmacy is reduced by the amount of the required copayment.

Deductible. Some SeniorCare participants may be required to pay a $500 annual deductible before SeniorCare pays for drugs purchased by that participant. Drugs purchased while a participant is paying off the $500 deductible are available to the participant at a discount. This discount equals the difference between the retail price of the drug and the rate at which SeniorCare reimburses pharmacies. On average, this rate equals an estimated 19% of the retail price of drugs purchased, although the actual discount per drug varies significantly. The amount of the discount is absorbed by the pharmacy. SeniorCare does not reimburse the pharmacy for the value of this discount.

Once a participant has met the deductible requirement, participants are only responsible for the required copayments. SeniorCare pays the

remainder of costs for drugs purchased, up to the SeniorCare reimbursement rate.

Spenddown. Individuals or married couples with income above 240% of the federal poverty level (FPL) and enrolled in SeniorCare are required to meet a spenddown requirement. The amount of the spenddown requirement is equal to the amount that the participant's or couple's household income is above 240% of the FPL. In 2002, 240% of the FPL was equivalent to $21,264 annually for one person and $28,656 annually for two people.

For drugs purchased while a participant is meeting the spenddown requirement, that participant cannot be charged more than the retail price of the drug. If a pharmacy accepts a discount available from a separate program for the purchase of a drug that counts towards an individuals' spenddown requirement, only the amount the participant actually pays for the drug counts towards the spenddown requirement. SeniorCare does not reimburse pharmacies for the cost of drugs purchased during the spenddown period.

Once an individual meets a spenddown requirement, that individual must meet the deductible requirement before SeniorCare pays for drugs purchased on the participants' behalf. For married couples with both spouses participating in the program, the spenddown requirement is a joint requirement. Therefore, purchases of prescription drugs for both spouses count towards the spenddown requirement. Once the joint spenddown requirement is met, then each spouse must meet the $500 annual deductible and copayment requirements.

Participation Levels. For purposes of administering SeniorCare, DHFS has categorized levels of participation based on the amount of cost-sharing required of an enrollee. Level 1 includes individuals that are only required to pay copayments for each covered drug purchased. Level 2 includes individuals that are required to pay a deductible before being able to receive covered drugs at the copayment amount. Level 3 includes individuals that are required to first meet a spenddown requirement, then meet a deductible requirement before being able to receive drugs at the copayment amount.

Level 1 -- Copayment. Individuals enrolled in SeniorCare with income at or below 160% of the FPL are enrolled in SeniorCare at Level 1. These individuals are only subject to copayment requirements for each drug purchased under the program. There is no deductible or spenddown requirement for these individuals. In 2002, 160% of the FPL was equivalent to $14,176 annually for one person and $19,104 for two people.

As of November, 2002, 36,046 SeniorCare enrollees were participating at Level 1.

Level 2 -- Deductible. Individuals enrolled in the program with income above 160% of the FPL but no more than 240% of the FPL are enrolled in SeniorCare at Level 2. These individuals are required to pay the $500 annual deductible before SeniorCare pays for drugs on their behalf. Once individuals participating at Level 2 have met their deductible requirement, these participants are only responsible for copayments for each drug purchased.

As of November, 2002, 27,186 SeniorCare enrollees were participating at Level 2.

Level 3 -- Spenddown. Individuals enrolled in the program with income above 240% of the FPL are enrolled in SeniorCare at Level 3. These individuals are first responsible for the spenddown requirement and then the deductible requirement. Once both of these requirements have been met, the participant is only responsible for the required copayments. In 2002, 240% of the FPL was equivalent to $21,264 annually for one person and $28,656 annually for two people.

As of November, 2002, 5,244 SeniorCare enrollees were participating at Level 3.

Definition of Household Income. Current law authorizes DHFS to determine the definition of household income for SeniorCare. In the emergency rules promulgated by the Department, annual household income is defined as a prospective estimate of annual income for all persons in the household whose income and need is included in determining eligibility for participation in SeniorCare. This includes the applicant and the applicant's spouse, if the spouse resides with the applicant. The spouse's income is not included if the spouse is an SSI recipient or the spouses are living together in a nursing home.

Income includes gross earned and unearned income, including social security income, and is based on projected income for the 12 calendar months beginning with the month in which the SeniorCare application is filed. Self-employment income is determined by deducting estimated business expenses, losses and depreciation from gross self-employment income. Income from sources that are exempt under federal law from consideration in determining MA eligibility are also exempt from consideration for SeniorCare.

Reimbursement to the Pharmacy

As a condition of participating in MA, pharmacies are required to participate in SeniorCare. DHFS reimburses pharmacies for purchases made by SeniorCare enrollees that are only responsible for copayments.

The amount of the reimbursement equals the lesser of the pharmacy's usual and customary charge (retail price) or the SeniorCare reimbursement rate, which equals the MA rate for the same drug, plus 5% of that rate, plus a dispensing fee. This is the same rate that pharmacies charge participants that have a deductible requirement. The actual amount paid to the pharmacy is reduced to reflect any required copayments. Pharmacies cannot charge participants for the difference between the retail price of a drug purchased under SeniorCare and the SeniorCare reimbursement rate, unless the participant is meeting a spenddown requirement.

It is estimated that the SeniorCare reimbursement rate equals, on average, approximately 81% of a pharmacy's usual and customary charge. If an individual has other prescription drug coverage, payment to the pharmacy totals the amount not covered by the other coverage, up to the amount payable under SeniorCare.

DHFS is required to monitor pharmacies' compliance with providing discounted rates to SeniorCare enrollees for drugs purchased under the program and to submit an annual report to the Legislature concerning compliance. The report is to include information on any pharmacies or pharmacists that discontinue participation in the MA program and the reasons for the discontinuance.

Covered Drugs and Limitations

Drugs covered under SeniorCare include those prescription drugs that are covered under MA and are produced by a manufacturer that has entered into a rebate agreement for SeniorCare. The only over-the-counter medication covered under SeniorCare is insulin.

DHFS is authorized to use the same utilization and cost control procedures under SeniorCare that are used under MA, such as prior authorization, generic substitution and maximum days supply. Further, pharmacies are eligible to receive pharmaceutical care services payments, based on the payments available under MA.

Prior Authorization. DHFS may require a pharmacy to receive prior authorization for certain drugs or uses of certain drugs to be reimbursed by SeniorCare. Most drugs purchased under SeniorCare do not require prior authorization. However, prior authorization is required for certain stimulants, certain nutritional supplements and certain drugs that have been demonstrated to entail substantial cost and utilization problems under MA.

In most cases, a request for prior authorization is submitted by a pharmacist electronically in real-time and a response is provided in real time. However, in some cases, paper submission of a prior authorization request is required, particularly in cases where documentation of the medical necessity of the prescription is required for reimbursement.

Generic Substitution. SeniorCare reimburses pharmacies for the generic version of a prescription drug and will not reimburse a pharmacist for the brand-name version of that drug, unless: (a) the prescribing professional indicates in his or her own handwriting on the face of the prescription, that the brand-name medication is medically necessary; or (b) a generic version of the drug is not available.

Maximum Days Supply. Most prescriptions can only be filled in the quantity prescribed, not to exceed a 34-day supply, including refills. In a few cases, prescriptions can be dispensed for up to a 100-day supply.

Pharmaceutical Care Services. Pharmaceutical care services are services provided by a pharmacist and are beyond the standard activity of dispensing and counseling for a prescription drug. The purpose of these services is to maximize the effectiveness of medications for the patient through intervention by the pharmacist. To receive payment for pharmaceutical care services, a pharmacist must meet all basic requirements of federal and state law for dispensing a drug, plus complete specified activities that result in a positive outcome for both the program and the recipient. Positive outcomes include increased patient compliance or preventing potential adverse drug reactions.

SeniorCare will pay pharmacists providing pharmaceutical care services to SeniorCare participants for such services only while a SeniorCare participant is responsible for copayments. For participants meeting the deductible or spenddown requirements, the pharmacist must ask the participant's permission to bill for pharmaceutical care services, since such costs would be paid for by the participant and would count towards the participant's deductible or spenddown requirement.

Manufacturer Rebates

Only drugs that are produced by manufacturers that have entered into rebate agreements with the state are covered under SeniorCare. These agreements are modeled on the rebate agreements specified in federal law for MA. Under the terms of the SeniorCare waiver, only drugs purchased during a participant's copayment period are eligible for rebates from the drug's manufacturer. Rebates are not available for drugs purchased by participants for purposes of meeting a deductible or spenddown requirement.

Revenue received from pharmaceutical manufacturers is deposited in a program revenue (PR) appropriation and is used to offset general purpose revenue (GPR) and federal MA funds proportionately. Rebate revenue is expected to represent approximately 18-20% of total reimbursements paid to pharmacies.

SeniorCare Wavier

In March, 2002, DHFS submitted an application to the U.S. Department of Health and Human Services (DHHS) seeking approval to waive certain provisions of federal MA law so that SeniorCare could operate as a demonstration project under Section 1115 of the Social Security Act. On July 1, 2002, DHFS received the necessary waiver approvals to operate a portion of SeniorCare as a five-year demonstration project. Under current federal law, the waiver can be renewed at the end of the five years.

Under the terms of the waiver, DHFS receives federal MA matching funds for approximately 59% of the costs for SeniorCare participants with household income at or below 200% of the FPL. Costs for SeniorCare enrollees with income above 200% of the FPL are not part of the demonstration project. It is expected that approximately 50% of SeniorCare costs will be funded with MA matching funds.

All federal MA laws apply to the SeniorCare demonstration project, unless specifically waived by the DHHS Secretary. The following provisions of the federal Social Security Act have been waived for purposes of operating the SeniorCare demonstration project:

- Limits on the use of enrollment fees, premiums, deductions, cost sharing, and similar charges (Sections 1902(a)(14) and 1916);

- The requirement that services not be less in amount, duration or scope than services available to other MA recipients (Section 1902(a)(10)(B));

- The requirement that coverage of services be available for up to three months prior to application, if eligible (Section 1902)(a)(34));

- Requirements regarding the treatment of income and resources for eligibility purposes (Section 1902(a)(17)); and

- Requirements regarding eligibility redeterminations and program integrity (Sections 1902(a) (19) and (46)).

Additionally, approval of the waiver was subject to the state's acceptance of certain terms and conditions. The terms and conditions include various requirements for reporting to DHHS on the project, terms for ending the demonstration project and various other requirements. Two of the terms and conditions particularly affect SeniorCare and MA funding.

One, the terms and conditions require that the state can only collect rebate revenue from pharmaceutical manufacturers for those drug purchases for which SeniorCare payment has been made. Therefore, rebate revenue is not available from drugs purchased during participants' spenddown or deductible periods.

Second, the terms and conditions require that the cost of operating the demonstration project will not exceed 100% of the cost to provide MA services to the elderly without the waiver, over the five years for which the project is approved. This is known as a budget neutrality requirement and is typically required for Section 1115 waiver demonstration projects. To ensure the project is budget neutral, as a condition of the waiver, DHFS has agreed to limit the total amount of expenditures for the SeniorCare waiver population and the MA elderly population. Under this cap, MA expenditures for the elderly population, including those in the SeniorCare demonstration project, is limited to approximately $8.4 billion over the five years during which the demonstration project is in effect.

As identified in its application for the waiver, DHFS anticipates that the budget neutrality requirement will be met because individuals enrolled in SeniorCare will remain healthier and

thereby delay or avoid enrollment in MA. If SeniorCare does not produce the savings anticipated under the scenarios developed by DHFS, federal matching funds for MA expenditures for the elderly could be limited.

Administration

SeniorCare is administered by the DHFS Division of Health Care Financing. DHFS contracts with Electronic Data Systems (EDS), the state's MA fiscal agent, to perform application and claims processing functions, costumer service and other administrative tasks. Because SeniorCare operates under an MA waiver, public workers employed by DHFS must determine eligibility for SeniorCare. Private workers employed by EDS support the eligibility determination process by scanning applications, following up with applicants to address discrepancies on applications or invalid applications and performing other costumer service functions.

DHFS uses the client assistance for reemployment and economic support (CARES) information system to support eligibility determination functions. This is the same system used to determine eligibility for MA, food stamps, Wisconsin Works and several other support programs administered by DHFS and the Department of Workforce Development. Claims processing functions are handled by the Medicaid management information system (MMIS), which is the same system that processes MA claims.

Act 16 created a PR appropriation for SeniorCare for revenue received from payment of the $20 enrollment fee. Revenue in this appropriation is available to support SeniorCare administrative costs, including DHFS staff costs, CARES and MMIS costs associated with administration of SeniorCare and costs to operate the central application processing operation. DHFS estimates that these costs will total $6.1 million annually.

Funding

SeniorCare benefits are funded from GPR, federal MA matching funds and revenue from pharmaceutical manufacturers participating in the program. Additionally, the cost to the state for drugs purchased under SeniorCare is partially offset by participant cost-sharing requirements, reimbursements to pharmacies that are discounted from pharmacies' retail prices, and payments from third parties that are also liable for prescription drug costs for SeniorCare participants, including private health insurance policies that cover prescription drugs.

The SeniorCare GPR appropriation is a sum certain appropriation. Current law specifies that if GPR funding is completely expended, DHFS is required to continue accepting applications and determining eligibility for program participation and to notify applicants that program benefits are conditioned on the availability of funding. For any time period in which funding for the program is completely expended: (a) DHFS is not required to pay pharmacies for any drugs purchased by participants during such a time; (b) pharmacies are not prohibited from charging SeniorCare participants more than the SeniorCare payment rate; and (c) manufacturers, whose drugs are covered under the program, are not required to pay rebates for drugs purchased by participants during such a time.

Benefits. Act 16 provided $49.9 million GPR in 2002-03 to fund SeniorCare benefits, beginning September 1, 2002. Under the SeniorCare waiver, approximately 59% of the costs for SeniorCare enrollees under 200% of the FPL, or an estimated 50% of all SeniorCare costs will be supported with MA matching funds. Additionally, Act 16

established a program revenue continuing appropriation for rebate revenue collected from pharmaceutical manufacturers participating in the program.

Administrative Start-Up Costs. Act 16 provided $2.0 million GPR in 2001-02 as one-time funding to support administrative start-up costs for SeniorCare. Of this amount, $1.0 million was budgeted directly in a DHFS appropriation and the remaining $1.0 million was budgeted in the Joint Committee on Finance appropriation. In January, 2002, the Committee approved the transfer of $900,000 (of the $1.0 million budgeted) from its appropriation to DHFS to fund additional start-up costs.

Start-up costs included: (a) public information and outreach activities, such as printing of brochures and applications; (b) modifying the MMIS and CARES information systems (c) establishment of the central application processing operation; and (d) state staff costs.

Ongoing Administrative Costs. Revenue from enrollment fees fund ongoing administrative costs for SeniorCare. These costs include the central application process operation, a portion of CARES and MMIS costs and costs for state staff that support SeniorCare operations. Act 16 did not provide additional positions for DHFS to administer SeniorCare. However, in September, 2002, the Joint Committee on Finance approved a request to provide 9.0 PR positions in 2002-03 to administer SeniorCare, including 2.5 project positions authorized through August 31, 2004. These positions are funded with enrollment fee revenue.