Testimony of
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On
Wisconsin's SeniorCare Program

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Thank you Chairman Kohl for inviting me to appear before you and your distinguished colleagues to discuss Wisconsin's SeniorCare Program (SeniorCare), which provides prescription drug coverage to eligible Wisconsin seniors. Prescription drugs are integral to the delivery of safe, modern medical care. For this reason, adding comprehensive prescription drug coverage to Medicare has been among the Centers for Medicare & Medicaid Services' (CMS) highest priorities, culminating with the enactment and successful implementation of the Medicare Part D prescription drug benefit (Part D). The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) made prescription drug coverage available to all Medicare beneficiaries beginning in 2006, the most significant improvement to health care for seniors and people with a disability in 40 years. Currently, more than 90 percent of people with Medicare have coverage for prescription drugs through Part D or another creditable source. Millions of seniors and people with disabilities are using this benefit to save money, stay healthy, and gain peace of mind.

State Initiatives to Provide Drug Coverage Prior to 2006

Prior to the enactment of Medicare Part D, many States played a vital role in offering direct pharmaceutical assistance benefits to their residents. Eligible low-income and medically needy seniors often received prescription drug benefits through Medicaid. States commonly used two other options for extending prescription drug coverage to seniors not eligible for Medicaid: State Pharmaceutical Assistance Programs (SPAPs) and, to a much lesser extent, Medicaid Pharmacy Plus demonstrations under Section 1115 of the Social Security Act.

State Pharmaceutical Assistance Programs: Through SPAPs, many states provided low-income seniors and individuals with disabilities financial assistance for prescription drugs before Part D

was available. These were State-only funded initiatives that varied significantly in terms of eligibility requirements and benefits. Before January 1, 2006, 21 states offered SPAPs that provided subsidies for low-income enrollees to purchase prescription drugs.

Pharmacy Plus Demonstrations: Prior to the establishment of the Medicare prescription drug benefit, CMS worked with States to extend pharmacy coverage to certain low-income elderly and disabled individuals who were not otherwise eligible for Medicaid. Specifically, in January 2002, the Department of Health and Human Services (HHS) and CMS announced a model demonstration called Pharmacy Plus, which allowed states to expand Medicaid coverage for prescription drugs to Medicare beneficiaries and other individuals with family incomes up to 200 percent of the federal poverty level (FPL). These Medicaid Section 1115 demonstrations offer assistance by paying for pharmaceutical products, assisting privately-insured individuals with high premiums and cost sharing, or providing wrap-around pharmaceutical coverage to bring private sources of coverage up to the level of desired demonstration benefit coverage.

The goal of these demonstrations was to test how the provision of a pharmacy benefit to a non-Medicaid-covered low-income population would affect Medicaid costs, utilization, and future eligibility trends. As with other Section 1115 demonstrations, CMS approval for Pharmacy Plus required the State to establish budget neutrality, meaning that the services provided under the demonstration would need to be offset by other savings in the Medicaid program. The overall theory behind Pharmacy Plus was that prescription drug programs for seniors would target scarce resources more effectively because participants would remain healthier, thereby reducing future health care costs that may result in their becoming eligible for Medicaid.

CMS approved Section 1115 demonstrations for Pharmacy Plus in four states -- Florida, Illinois, South Carolina and Wisconsin. Wisconsin's SeniorCare rolled out statewide in September 2002, and provides prescription drug coverage to residents aged 65 and over, with incomes at or below 200 percent of the FPL. Enrollees with incomes up to 160 percent of the FPL pay $5 for generic medications and $15 for brand name medications. Enrollees between 160 and 200 percent of the FPL have $5 generic and $15 brand name co-payments after satisfying a $500 deductible.

Impact of Medicare Part D

The enactment of Medicare Part D has altered the landscape in which states provide prescription drug coverage to the age 65 and over population. Before January 1, 2006, SeniorCare was the only affordable prescription drug coverage option for most lower-income seniors in Wisconsin not qualified for full Medicaid benefits. Today, seniors in Wisconsin and across the country have access to comprehensive prescription drug coverage through Medicare. Individuals eligible for full benefits under both Medicare and Medicaid now receive their prescription drug coverage through Medicare as well. At last count, more than 571,000 Wisconsin seniors, including dual eligibles, are receiving drug coverage through Medicare Part D or another creditable source.

In addition to the standard Part D benefit, many beneficiaries with limited incomes qualify for the Low-Income Subsidy (LIS). Indeed, certain beneficiaries enrolled in Wisconsin's SeniorCare would be eligible for the LIS. The LIS provides substantial help to Medicare beneficiaries with limited incomes, including a generous federal premium subsidy and minimal cost-sharing for covered drugs.[1] Most LIS-qualified beneficiaries receive the 100 percent subsidy, and therefore have no premium for Part D coverage.

CMS was extremely successful in enrolling LIS-eligible individuals into Part D plans in the first year of the program. Of the approximately 13 million beneficiaries CMS estimates were eligible for the LIS in 2006, nearly 10 million now have coverage for prescription drugs. Through ongoing outreach that continues even today, CMS built upon the successes of 2006, enrolling over 300,000 new LIS beneficiaries in advance of the new 2007 benefit year. With the recently extended demonstration and special election period that allows LIS-approved beneficiaries to enroll through the end of 2007 without penalty, we expect that these numbers will continue to grow.

[1] As required by law, the Low-Income Subsidy is a means-tested public benefit. In order to apply and qualify, Medicare beneficiaries generally must meet both an income and asset test. For 2007, the maximum income to qualify for the LIS is $15,315 for singles with no dependents or $20,535 for married individuals with no dependents. (Individuals with dependents and residents of Alaska and Hawaii have higher income thresholds). Assets may not exceed $11,710 for a single person or $23,410 for a married individual.

Independent surveys show that a large majority (80 percent) of Medicare beneficiaries are satisfied with their Part D coverage, with even higher satisfaction rates among low-income beneficiaries. According to a recent survey, 9 out of 10 dual-eligibles report that their Part D plan works well. Nearly half of the people who reported skipping or splitting dosages prior to Medicare's prescription drug coverage say they no longer have to under Part D.[2]

State Initiatives to Provide Drug Coverage after Part D

With the implementation of Part D, many states faced the question of how to modify existing prescription drug programs for seniors to supplement Part D coverage as authorized by the MMA. Most states chose to reconfigure their SPAP benefits to wrap-around the new Part D benefit. Having Part D as the core benefit for seniors allows many states to provide the same or better coverage as before, at a lower per-beneficiary cost.

CMS has actively worked with a number of states to transition existing SPAPs into Part D wrap-around programs. For example, CMS worked successfully with the Commonwealth of Pennsylvania to allow 300,000 Pennsylvanians in the "PACE" SPAP to continue or enhance their drug coverage at substantial savings to the state. Currently, 24 states and the U.S. Virgin Islands operate "qualified" SPAPs to supplement Part D.

In regulations implementing Part D, CMS also committed to provide a federal matching payment for Pharmacy Plus programs that could continue to demonstrate budget neutrality (as required for Section 1115 demonstrations). For this reason, CMS accepted Wisconsin's request to continue the demonstration until the end of the original five-year term. However, the establishment of a federal Medicare prescription drug benefit had significant impact on the ability of Pharmacy Plus demonstrations to be budget neutral. Specifically, the advent of Part D and the low-income subsidy altered the circumstances under which CMS originally approved SeniorCare because now Medicare Part D, and not the Pharmacy Plus demonstration, is the main source for Medicaid savings by diverting individuals from full Medicaid eligibility. As a result, we believe it would

[2] KRC Research survey for the Medicare Rx Education Network, conducted September 1-7, 2006 and updated January 5-9 2007.

be very difficult for Pharmacy Plus waivers, as they were originally structured, to meet the budget neutrality requirements in light of Part D.

Recognizing this well before the new prescription drug benefit became available, CMS encouraged the four states with Pharmacy Plus waivers (Florida, Illinois, South Carolina and Wisconsin) to determine how the new Part D benefit would impact their programs, to gauge the feasibility of continuing them beyond January 1, 2006, and to determine if they could be transitioned to another type of program to provide assistance to seniors. Given the difficulties in proving budget neutrality after the implementation of Part D, all states except Wisconsin chose to discontinue their Pharmacy Plus demonstrations for dual eligibles. Both Illinois and South Carolina have successfully transitioned their Pharmacy Plus demonstrations to Part D wrap-around programs.

Moving Forward: Wisconsin's SeniorCare Program

The passage of MMA and implementation of Medicare Part D have had a significant impact on state programs like SeniorCare. SeniorCare in Wisconsin is the sole remaining Pharmacy Plus waiver, and is scheduled to expire in July 2007. CMS encouraged states to transition these programs into qualified SPAPs that wrap around Part D coverage as the MMA allows. Illinois and South Carolina have done so successfully. We are eager to work with Wisconsin to effectively implement a similar program for Wisconsin seniors.

I greatly appreciate the leadership Wisconsin has demonstrated in providing prescription drug coverage to Wisconsin's most vulnerable citizens at a time when they had no other options for drug coverage. CMS does not want current SeniorCare beneficiaries to suffer any interruptions in drug coverage, and we are committed to partnering with Wisconsin officials to establish a transition and outreach plan in which we can all take confidence. That being said, we believe the transition must be made as quickly as possible. Wisconsin has deemed SeniorCare as creditable coverage relative to Part D, so individuals transitioning to Part D will not face a late enrollment penalty.

CMS looks forward to working with the state to transition SeniorCare participants into the Medicare Part D program and to develop a wrap-around program that coordinates with Medicare Part D.

Thank you and I would be happy to answer any questions.