



## Senior's Pharmaceutical Assistance Programs

The Department of Aging administers three pharmaceutical assistance programs for Pennsylvania seniors:

1. The **Pharmaceutical Assistance Contract for the Elderly**, more commonly known as **PACE**, was enacted in 1983 to help low-income seniors pay for their prescription medications.
2. Act 134 of 1996 established the **PACE Needs Enhancement Tier**, or **PACENET** program to create a new tier of pharmacy benefits for qualified seniors with incomes exceeding PACE eligibility limits. And,
3. Act 111 of 2006 established **PACE Plus Medicare**, which coordinates pharmacy benefits in the PACE and PACENET programs with the federal Medicare Part D drug program that began in 2006.

Pharmaceutical assistance is available to seniors who are 65 years of age or older and do not receive prescription drug benefits through Medical Assistance. Seniors must be residents of Pennsylvania at least 90 days prior to applying for assistance and must meet certain income eligibility requirements.

### PACE and PACENET

The PACE and PACENET programs cover most medications that require prescriptions, as well as insulin, syringes and insulin needles. Experimental medications or over-the-counter drugs are not covered by either program.

Seniors in the PACE program pay no monthly fees or premiums; their only costs are co-payments of \$6 for generic drugs and \$9 for brand-name drugs. Seniors in the PACENET program pay a monthly premium equal to the Medicare Part D benchmark premium (\$35.30 for 2016) and have higher co-payments for their prescriptions. The table below shows income eligibility and cost-sharing requirements (premiums and co-payments) for PACE and PACENET.

	PACE	PACENET
<b>Income Eligibility:</b>		
Single Individual	\$14,500 or less	\$14,500 to \$23,500
Married Couple	\$17,700 or less	\$17,700 to \$31,500
<b>Monthly Premium (2015)</b>	\$0	\$33.91
<b>Co-Payments:</b>		
Generic Drugs	\$6 per Rx	\$8 per Rx
Brand-Name Drugs	\$9 per Rx	\$15 per Rx

PACE and PACENET eligibility is determined by the previous calendar year's income. The income limits for each program are established by the lottery law:

- PACE assists seniors whose annual income is \$14,500 or less (for a single person) and \$17,700 or less (married couple).
- PACENET assists seniors whose annual income is between \$14,500 and \$23,500 (single individuals) and between \$17,700 and \$31,500 (married couple).

Act 37 of 2003 set the current income limits. Beginning in 2014, the General Assembly passed legislation (Act 12 of 2014) to exclude Medicare Part B premiums from income when determining eligibility for PACE and PACENET. This change had the same effect as raising income limits by that premium amount. For 2016, the excluded amount for most Medicare beneficiaries is \$1,258.80 per individual and \$2,517.60 for married couples.

Over the years, the General Assembly has enacted temporary moratoriums so seniors could maintain their PACE and PACENET eligibility when their income exceeded the limit solely due to a Social Security cost-of-living increase. These moratoriums have allowed tens of thousands of seniors to retain pharmaceutical assistance when annual Social Security cost-of-living increases would have otherwise disqualified them. The current moratorium, established by Act 91 of 2015, expires Dec. 31, 2017.

### **PACE Plus Medicare**

The PACE Plus Medicare program supplements PACE/PACENET drug coverage with the Medicare Part D drug benefit. Each year, the Department of Aging partners with select Part D plans authorized to provide Medicare drug coverage in Pennsylvania. PACE and PACENET cardholders are encouraged to enroll in the partner Part D plans the department has recommended for them based on their prescription and pharmacy needs. Cardholders who do not enroll in Part D plans continue to receive prescription benefits through PACE and PACENET.

PACE Plus is designed to allow PACE and PACENET cardholders to keep their same prescription benefits (sometimes at a lower cost) even though they are enrolled in Part D drug plans.

- **Drugs.** The PACE Plus Medicare program pays for PACE/PACENET drugs that are not on the Part D plan's formulary (or drug list). It also pays for drugs purchased during the Part D deductible phase and drugs purchased during the so-called "donut hole" phase.
- **Co-Pays.** PACE and PACENET cardholders enrolled in PACE Plus pay the lower of the PACE/PACENET co-payments and the Part D plan co-payments. If the Part D plan charges higher co-payments, the program pays the difference between Part D co-payments and the PACE/PACENET co-payments.
- **Premiums.** PACE Plus pays the full monthly Part D premium if PACE cardholders enroll in a plan that has partnered with the department. If a PACE cardholder enrolls in a non-partner plan, the program pays up to the regional benchmark premium. If the plan premium is above the benchmark, the cardholder pays the difference. PACENET cardholders enrolled in a partner plan pay the plan's premium at the pharmacy and never pay more than the cost of the medication. (If the cost of the medication is less than the premium, the cardholder only pays the cost of the medication and the remaining amount of the premium owed will be carried over until another medication is filled.) PACENET cardholders who do not enroll in a partner plan must pay the premium directly to the plan each month, regardless of whether they had any prescriptions filled.

### **PACE Plus Partner Plans**

For 2017, the PACE Plus program partnered with two Part D plans:

- WellCare Classic Plan's monthly premium is \$33.40
- SilverScript Choice Plan's monthly premium is \$28.50

### **Low-Income Subsidy**

The Department of Aging helps qualified seniors sign up for the federal Part D Low-Income Subsidy, allowing them to take advantage of drug co-payments that are significantly lower than PACE and PACENET. The federal Medicare program pays part of the co-payment for seniors who qualify for the full federal low-income subsidy, reducing their out-of-pocket costs. To qualify for the full federal subsidy, seniors must have an annual income that's less than 135 percent of federal poverty and must meet an asset test.

### Medicare Part D Low-Income Subsidy

For 2017, seniors qualifying for the full Low Income Subsidy pay the following co-payments:

- \$1.20 for generic drugs and \$3.70 for brand-name drugs, if their income is below 100 percent of federal poverty;
- \$3.30 for generic drugs and \$8.25 for brand-name drugs, if their income is between 100 percent and 135 percent of federal poverty.

For 2016, the income and resource limits to qualify for the full subsidy were as follows:

- Individuals with annual income less than \$16,038 and assets below \$8,780.
- Couples with annual income less than \$21,627 and assets less than \$13,930.

In addition to benefitting seniors, the federal low-income subsidy yields significant savings for PACE Plus because the federal government (rather than PACE Plus) pays Part D monthly premiums, annual deductibles, and the cost of drugs purchased during the “donut hole” phase.

### Enrollment Trends

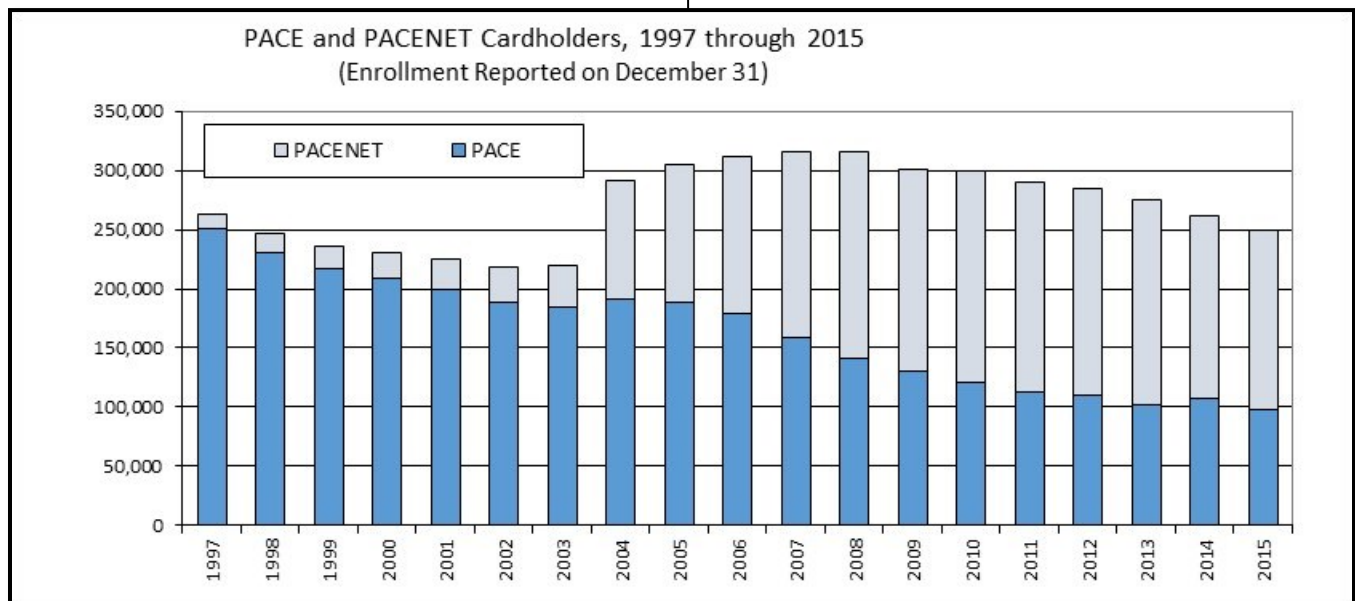
The number of PACE and PACENET cardholders depends upon the expansion of income limits, the impact of income inflation (which may push seniors above the income limits), and other prescription drug coverage choices available to the eligible seniors (such as retirement benefits or Medical Assistance).

The bar graph below shows the number of PACE and PACENET cardholders for 1997 (the first full year of

PACENET) through 2014 (the most recent year for data). After years of steady declines, overall enrollment increased significantly in 2004 because Act 37 of 2003 expanded PACE/PACENET income eligibility limits to the current levels.

As of Dec. 31, 2015, Pennsylvania counted 97,955 PACE cardholders and 151,429 PACENET cardholders:

- Approximately 85 percent of all PACE/PACENET cardholders were in a Part D plan under PACE Plus Medicare.
- Approximately 61,000 seniors in PACE Plus Medicare were eligible for full federal assistance under the low-income subsidy.



SOURCE: PA Department of Aging, PACE Annual Reports, Table 4.1 (PACE and PACENET Cardholder Enrollments by Quarter)

## Program Funding

The Pharmaceutical Assistance Fund is the state revenue source for the three senior prescription drug programs. The fund is comprised primarily of revenue transferred from the state Lottery Fund. It also receives some state revenue from the Tobacco Settlement Fund.

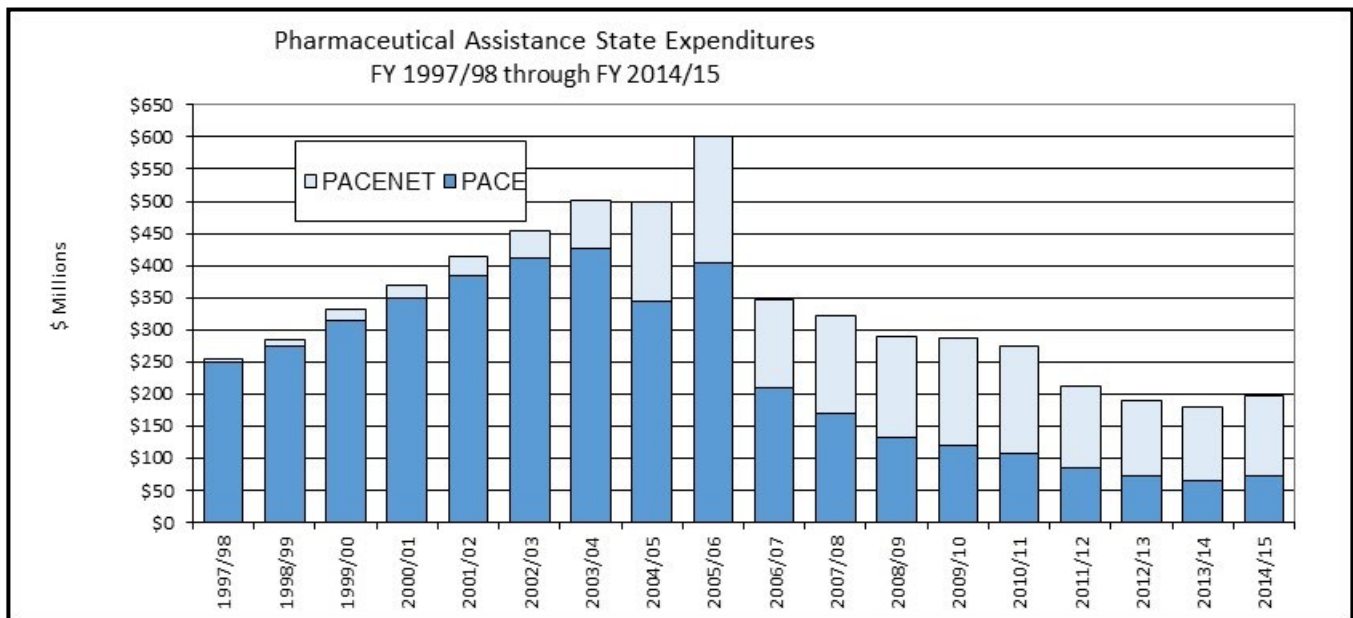
- The General Assembly annually appropriates Lottery Funds to meet senior prescription drug programs' state funding requirements.
- Tobacco Settlement Funds are transferred annually according to the Fiscal Code, which stipulates that 8 percent of the annual tobacco settlement payments to the commonwealth be transferred to PACENET. Recent budgets (including 2015/16 and 2016/17) suspended this transfer.

The amount of the annual Lottery Fund transfer to the Pharmaceutical Assistance Fund is based on estimated state expenditures for the three programs. PACE and PACENET are paid entirely with state revenue, whereas federal Medicare funds are the predominant funding source for PACE Plus. State expenditures in PACE Plus are only incurred to pay for the "wrap around" coverage provided to seniors enrolled in the program (monthly premiums for PACE cardholders, differences in co-payments, and drugs not included in the Part D plans).

Because the federal Medicare program pays for most of the prescription drug costs in PACE Plus, enrolling seniors in PACE Plus significantly reduces state expenditures and frees up Lottery Funds that can be used for other senior programs.

The more PACE and PACENET cardholders are enrolled in PACE Plus, the more prescription drug costs can be shifted from the state to Medicare. Additional prescription drug costs can be shifted to Medicare for each PACE Plus enrollee who qualifies for the full federal low-income subsidy because Medicare pays for most of the "wrap around" costs the state would otherwise have to pay for these individuals.

The bar graph below shows historical state spending for pharmaceutical assistance provided to PACE and PACENET cardholders from 1997/98 (the first full fiscal year of PACENET) through 2014/15 (the most recent fiscal year for data). The dramatic decrease in state expenditures after 2005/06 reflects the implementation of the PACE Plus program in 2006 and the availability of federal Medicare funds to pay for prescription drugs for PACE Plus enrollees.



Source: PA Department of Aging, PACE Annual Report, Table 3.1 (PACE and PACENET Claims and Expenditures Paid by Fiscal Year)

Beginning in 2010/11, state expenditures for PACE Plus decreased further due to Medicare Part D provisions in the federal Affordable Care Act, or ACA, which closed the "donut hole" over a 10-year period. The phase-down of the donut hole is accomplished through a combination of discounts provided by drug manufacturer discounts and new federal subsidies that reduce prescription drug costs for seniors. By closing the donut hole, ACA is generating annual state savings of \$60 million to \$70 million in the PACE Plus Program and thereby reducing the amount of Lottery Funds that need to be transferred annually to the Pharmaceutical Assistance Fund.

#### **Affordable Care Act and the Medicare Part D "Donut Hole"**

The Affordable Care Act closes the Medicare Part D "donut hole" by 2020 through a combination of discounts and subsidies. Most Medicare drug plans have a coverage gap (also called the "donut hole") during which individuals have to pay more for their prescriptions, up to a limit. The coverage gap begins after an individual and their drug plan have spent a certain amount for covered drugs – this adjustable amount was \$3,310 in 2016 and \$3,700 in 2017.

ACA phases in the following discounts and subsidies so individuals will pay no more than 25 percent for covered brand-name and generic drugs during the coverage gap by 2020.

- In 2011, pharmacy manufacturers were required to provide a 50 percent discount on the price of brand-name drugs purchased in the donut hole.
- Also in 2011, the federal government subsidized generic drugs purchased in the donut hole. This subsidy started at 7 percent, increased to 14 percent in 2012, 21 percent in 2013, 28 percent in 2014, 35 percent in 2015 and 42 percent in 2016. It is prescribed to continue until it reaches 75 percent in 2020.
- In 2013, the federal government subsidized brand name drugs purchased in the donut hole. This subsidy started at 2.5 percent in 2013 and 2014 and increased to 5 percent in 2015. It will continue to increase until it reaches 25 percent in 2020. When combined with the 50 percent discount from pharmacy manufacturers, individuals pay 25 percent of brand name drug costs in 2020.

#### **House Appropriations Committee (D)**

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