

Senior's Pharmaceutical Assistance Programs

The Department of Aging administers three pharmaceutical assistance programs for Pennsylvania seniors. The **Pharmaceutical Assistance Contract for the Elderly (PACE)** was enacted in November 1983 to assist low-income seniors in paying for their prescription medications. Act 134 of 1996 established a second program, **PACE Needs Enhancement Tier (PACENET)**, which created a new tier of pharmacy benefits for qualified seniors who have incomes that exceed the PACE eligibility limits. 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 January 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. Approximately 350,000 seniors received pharmaceutical assistance in 2009/10.

PACE and PACENET

The PACE program provides comprehensive coverage to seniors whose annual income is \$14,500 or less for a single person and \$17,700 or less for a married couple. PACE cardholders pay no monthly fees or premiums. Their only costs are co-payments, which are no more than \$6 for generic drugs and \$9 for brand-name drugs.

The PACENET program assists seniors whose annual income is between \$14,500 and \$23,500 for single individuals and between \$17,700 and \$31,500 for married couples. PACENET has no monthly premium; however, cardholders must pay a monthly deductible equal to the regional benchmark premium for Medicare Part D (which is \$34.07 for calendar year 2011). In addition PACENET cardholders pay higher co-payments for prescriptions, up to \$8 for generic drugs and up to \$15 for brand-name drugs.

	PACE	PACENET
<u>Income Eligibility:</u>		
Single Individual	\$14,500 or less	\$14,501 to \$23,500
Married Couple	\$17,700 or less	\$17,701 to \$31,500
Monthly Premium	\$0	\$0
Monthly Deductible (2011)	\$0	\$34.07
<u>Co-Payments:</u>		
Generic Drugs	\$6 per Rx	\$8 per Rx
Brand-Name Drugs	\$9 per Rx	\$15 per Rx

PACE and PACENET cover most medications that require prescriptions as well as insulin, syringes and insulin needles. They do not cover experimental medications or over-the-counter drugs.

PACE Plus Medicare

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 which 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 the PACE and PACENET programs.

For 2011, the PACE Plus program has partnered with the three Part D plans in the box below.

2011 PACE Plus Partner Plans	
<u>Medicare Part D Plan</u>	<u>Monthly Premium</u>
Wellcare Classic Plan	\$31.80
MemberHealth (Penn Life) CCRx Basic	\$26.00
UHC / AARP Medicare Rx Preferred	\$25.40

The PACE Plus Medicare program supplements PACE/PACENET drug coverage with the Medicare Part D drug benefit. As explained in the following sections, PACE Plus is designed so that PACE and PACENET cardholders who enroll in a Part D plan maintain their same prescription benefits, often at a lower cost.

Prescription Drugs

PACE Plus enrollees are entitled to all the drugs available under PACE/PACENET. If the Part D plan's drug formulary (list of covered drugs) does not include a PACE/PACENET medication, PACE Plus will pay for that drug or work directly with the plan (to process a prior authorization) so that the drug will be covered. In addition, PACE Plus pays for drugs purchased during the Part D deductible phase as well as drugs purchased during the coverage gap (i.e., the "doughnut hole").

Co-Payments

PACE and PACENET cardholders enrolled in PACE Plus have no increase in their co-payments. They pay the lower of the current PACE/PACENET co-payments and the Part D plan co-payments. If the Part D plan charges higher co-payments, PACE Plus will pay the difference between co-payments charged by the Part D plans and the current PACE/PACENET co-payments.

Premiums

Seniors in PACE Plus receive assistance in paying their Part D premiums, provided they enroll in a partner plan. For PACE cardholders who enroll in a partner plan, PACE Plus will pay up to the regional benchmark (which is \$34.07 for 2011). Because each of the 2011 partner plans are at or below the regional benchmark, PACE cardholders enrolled in these plans will pay no monthly premium.

PACENET cardholders enrolled in a partner Part D plan will pay the monthly premium, but no longer have to pay the PACENET deductible. For 2011, this presents a savings for PACENET cardholders because

all three of the four partner plans have a monthly premium that is less than the \$34.07 regional benchmark, which is the basis for the 2011 monthly deductible under PACENET.

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.

For 2011, a senior qualifying for the full subsidy would pay the following co-payments:

- \$1.10 for generic drugs (compared to \$6 under PACE) and \$3.30 for brand-name drugs (compared to \$9 under PACE) if income is below 100 percent of federal poverty;
- \$2.50 for generic drugs and \$6.30 for brand-name drugs if income is between 100 percent and 135 percent of federal poverty.

To qualify for the full federal subsidy, seniors must have annual income less than 135 percent of federal poverty and must meet an asset test.

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 from the state Lottery Fund. It also receives some state revenue from the Tobacco Settlement Fund.

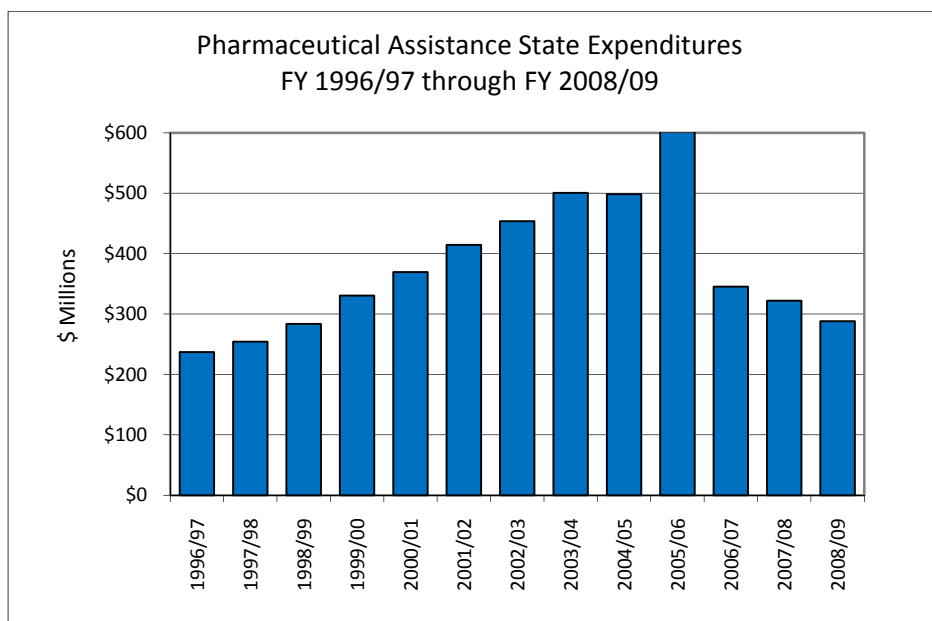
- Lottery Funds are appropriated annually by the General Assembly to meet the state funding requirements for senior prescription drug programs.
- Tobacco Settlement Funds are transferred annually in accordance with statutory provisions in the Tobacco Settlement Act, which stipulate that 8 percent of the annual tobacco settlement payments received by the Commonwealth be transferred for PACENET.

Both the PACE and PACENET programs are fully funded with state revenue from the Pharmaceutical Assistance Fund, whereas the PACE Plus program is funded with both federal and state revenue. Because Medicare is the “primary payer” of prescription drugs in PACE Plus, federal Medicare funds are the predominant funding source for this program – state revenue from the Pharmaceutical Assistance Fund is used to pay only for the “wrap around” coverage provided by PACE Plus (i.e., premiums for PACE cardholders, differences in co-pays, and drugs not included in the Part D plans).

PACE Plus Medicare frees up state Lottery Funds that can be used for other senior programs. The more PACE and PACENET cardholders who enroll 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. That is because Medicare pays for most of the “wrap around” costs that the state would otherwise have to pay for these individuals.

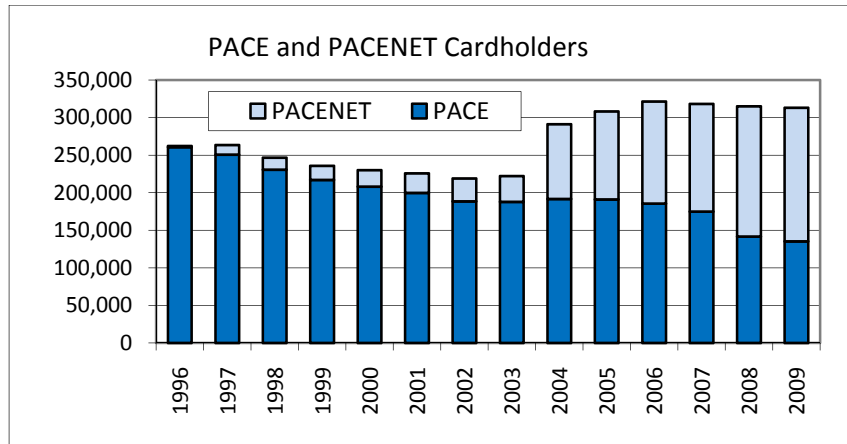
The bar graph below shows historical state expenditures (based on Department of Aging claims data) for pharmaceutical assistance provided to PACE and PACENET cardholders from 1996/97 (the first year of PACENET) through 2008/09 (the most recent year for available data). The dramatic decrease in state expenditures after 2005/06 reflects the implementation of the PACE Plus program in September 2006 and the availability of federal Medicare funds to pay for prescription drugs for PACE Plus enrollees. Estimated state savings for cardholders enrolled in PACE Plus exceeded \$220 million in FY 2008/09.



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 eligibility limits), and the other prescription drug coverage choices available to the eligible seniors (such as retirement plans).

The bar graph below shows the number of PACE and PACENET cardholders for calendar years 1996 (the first year of PACENET) through 2009. After years of steady declines, overall enrollment increased significantly in 2004 as the result of Act 37 of 2003 which expanded PACE/PACENET income eligibility limits, effective January 2004. The number of PACE cardholders has decreased steadily each year since 2004, while the number of PACENET cardholders increased – this reflects, in part, the transfer of cardholders from PACE into PACENET as their incomes increase enough to exceed the income limits for PACE eligibility.



As of December 31, 2009, total enrollment was 313,258 – this included 135,210 PACE cardholders and 178,048 PACENET cardholders. Four of every five PACE/PACENET cardholders are enrolled in a Part D plan under PACE Plus Medicare. Approximately 52,000 seniors in PACE Plus Medicare were eligible for full federal assistance under the Low Income Subsidy.