State-Run Rx Programs for Low-Income Seniors in Illinois and Wisconsin Show How Differences in Coverage Affect Enrollment, Rx Use and Spending

Study of the role of benefit design in enrollment, drug use, and expenditures in two state prescription drug programs for seniors

SUMMARY

In this 2004–06 project, Cindy Parks Thomas, PhD, and researchers at Brandeis University used data from two state-run prescription drug programs (Illinois and Wisconsin) for low-income seniors to examine how differences in prescription drug coverage affect enrollment, drug use and spending in state programs for low-income seniors and people who are disabled.

This project was part of the Robert Wood Johnson Foundation (RWJF) national program Changes in Health Care Financing and Organization (HCFO) (for more information see Program Results). HCFO supports policy analysis, research, evaluation and demonstration projects that provide public and private decision leaders with usable and timely information on health care policy and financing issues.

A Findings Brief on the project is available at the HCFO website.

Key Findings

The Findings Brief, "Design of a Pharmacy Benefit for Low-Income Seniors: Lessons from State Pharmacy Assistance Programs," reports the following key findings:

- In each state, enrollees in the prescription drug programs for low-income seniors were older and had higher incomes, more diseases, higher frailty scores and higher Medicare Part A (hospital) expenses than did nonenrollees. They also were more likely than nonenrollees to be female and white and to live in nonurban areas.

- The Wisconsin program, which had higher cost sharing and tighter controls over prior authorization, led to a 10 percent increase in the use of generic drugs, lower overall...
drug spending and fewer prescriptions at every income level than did the Illinois program.

- The differences in spending and generic drug use are greatest at the lowest income levels.
- In Illinois, a cap on benefits had a strong effect on how drugs were used.

**Funding**

RWJF provided a $420,998 grant for the project from 2004 to 2006.

**THE PROJECT**

Prior to the federal Medicare Prescription Drug Improvement and Modernization Act of 2003, which provided prescription drug coverage for senior citizens and people who are disabled (Medicare Part D), more than half of the states operated programs to help low-income seniors get prescription drugs.

Although states generally redesigned these programs after Medicare Part D took effect in January 2006, lessons learned from state programs can inform policy-makers and providers in planning prescription drug benefits.

Cindy Parks Thomas, PhD, and a team of researchers from Brandeis University used data from pharmacy assistance programs in Illinois and Wisconsin to examine how differences in prescription drug coverage affect enrollment, drug use and expenditures in state programs for low-income seniors and people who are disabled.

The research team analyzed data from an evaluation sponsored by the federal Centers for Medicare & Medicaid Services to predict factors associated with enrollment in pharmacy assistance programs and drug spending. The evaluation covered the first year of each state's pharmacy program for seniors (SeniorCare Illinois and the Wisconsin SeniorCare Program). The researchers used data on:

- Pharmacy program enrollment and drug claims
- Medicare Part A and Part B
- Medicaid
- Social Security Administration payments.

The researchers used these data to study:

- The impact of program design on selection (enrollment)
- The impact of plan design on drug use and spending
• Differences in drug use and spending by disease category
• The impact of a cap on spending.

FINDINGS

Researchers reported the following findings in the Findings Brief, "Design of a Pharmacy Benefit for Low-Income Seniors: Lessons from State Pharmacy Assistance Programs" (January 2007), available on the HCFO website.

Impact of Program Design on Selection

• Enrollees in SeniorCare Illinois and the Wisconsin SeniorCare Program were older and had higher incomes, more diseases, higher frailty scores and higher Medicare Part A (hospital) expenses than did nonenrollees. They were also more likely than nonenrollees to be female and white and to live in nonurban areas.

• In both states, enrollees were sicker than nonenrollees, in general.

• Seniors with incomes higher than 160 percent of the federal poverty level were:
  — 15 percent more likely to enroll in SeniorCare Illinois than were those with lower incomes.
  — 4 percent less likely to enroll in the Wisconsin SeniorCare Program, possibly because of its $500 deductible, than were those with lower incomes.

Impact of Plan Design on Drug Use and Spending

• The Wisconsin program, which had higher cost sharing, led to a 10 percent increase in the use of generic drugs, lower overall drug spending and fewer prescriptions at every income level than did the Illinois program. Illinois SeniorCare members contributed 10 percent of overall drug spending out-of-pocket, while Wisconsin members paid about 30 percent.

Differences in Drug Use and Spending by Disease Category

• The differences in spending and generic drug use are greatest at the lowest income levels. For five major diseases/conditions (arthritis, depression, diabetes, heart disease and stroke) combined:
  — About half of the difference in drug spending was due to price per prescription.
  — The remainder was due to taking generic versus brand-name drugs and the number of prescriptions per enrollee.

• However, as income increased, the number of prescriptions generally became a less important factor in the difference in spending for disease groups.
Impact of a Cap on Spending

- In Illinois, a cap on benefits had a strong effect on how enrollees used drugs. Illinois' "soft cap" (a threshold beyond which higher cost-sharing is required) raised costs for enrollees with higher drug expenditures. In the first 12 months of the program, 47% of enrollees reached the cap.

  The probability of hitting the cap is:
  - Higher for enrollees with chronic diseases and long-term care needs and for women.
  - Lower for married enrollees and decreases as enrollees age.

Enrollees responded to the cap and a subsequent increase in out-of-pocket costs by:
  - Reducing their monthly expenditures by 49 percent.
  - Reducing the number of their monthly prescriptions by 43 percent.
  - Increasing their use of generic drugs by 13 percent.

CONCLUSION

In the Findings Brief, the researchers concluded that:

- "The choice of drug plan will clearly have an impact on drug use and spending, and enrollment selection will differ based on the drug plan's cost sharing. This is particularly important for the millions of near low-income seniors who do not qualify for Medicare subsidies."
BIBLIOGRAPHY

(Current as of date of the report; as provided by the grantee organization; not verified by RWJF; items not available from RWJF.)

Articles


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Presentations and Testimony
