



**JIM DOYLE**  
**GOVERNOR**  
**STATE OF WISCONSIN**

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October 23, 2006

Secretary Michael Leavitt  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Secretary Leavitt:

Last year, you and I negotiated an agreement to allow SeniorCare, a national model program, to continue so that Wisconsin seniors could have a choice when it came to accessing affordable prescription drugs. I appreciate your agreement with me not only to extend the program until at least June 30, 2007, but also to give fair consideration to my request for an extension beyond that.

Today, I am formally submitting our request for an extension of Wisconsin's SeniorCare Pharmacy Plus Waiver. We are requesting that the waiver be extended for three years for the period July 1, 2007 to June 30, 2010. SeniorCare must be allowed to continue as an alternative to Medicare Part D. Quite simply, it serves people better and is less costly for both seniors and taxpayers.

By all accounts, SeniorCare has been extremely successful. Today, the program is providing 108,000 Wisconsin seniors with access to comprehensive prescription drug coverage. In the last year, as seniors were forced to choose between SeniorCare and Medicare Part D, they overwhelmingly chose SeniorCare -- leading to a 26% surge in SeniorCare's enrollment. The reason is clear. An AARP study showed that 94% of SeniorCare participants are better off under SeniorCare than they would be under Medicare Part D.

SeniorCare is comprehensive, yet simple to understand. It requires only a one-page application to enroll, has no asset test and provides access to a broad network of pharmacies and a comprehensive formulary. All SeniorCare participants pay a one-time \$30 enrollment fee and copays of \$5 for generic drugs or \$15 for brand name drugs. SeniorCare has saved Wisconsin seniors hundreds of millions of dollars since its inception. In SFY 2006 alone, SeniorCare reduced drug costs for seniors by almost \$200 million.

SeniorCare is also a great deal for taxpayers. Of the \$253 million in drug costs billed to the SeniorCare program in SFY 2006, the federal government paid only \$46 million (or about 18% of total drug costs) net of rebates. In fact, the average annual federal

subsidy for a SeniorCare waiver participant is \$617, nearly half the \$1,174 the federal government spends to subsidize a Part D participant.

SeniorCare works because the State is able to use its bargaining power to negotiate discounts with drug companies, forcing them to provide substantial drug rebates. Overall, the program leverages manufacturer drug rebates equal to about 37 percent of the program's total cost. As such, in SFY 2006, the state collected almost \$50 million in manufacturer drug rebates. In addition, the State negotiates price discounts with providers, which in SFY 2006 totaled \$53 million. These discounts and rebates directly lower out-of-pocket costs for low-income seniors and significantly reduce state and federal costs. Medicare Part D, on the other hand, cannot leverage such drug rebates as Congress specifically prohibited the federal government from negotiating discounts with drug manufacturers.

As reported to CMS, the SeniorCare waiver has consistently achieved budget neutrality throughout the current waiver period. In fact, our most recent analysis shows that the program has saved \$669 million in Medicaid funding through the fourth year of the waiver. These savings are the direct result of reduced Medicaid payments for hospital and nursing home care because seniors with SeniorCare prescription drug coverage have stayed healthier longer.

Independent research has also shown the value of SeniorCare. An evaluation conducted by Brandeis University found that Wisconsin's SeniorCare program significantly reduced the incidence of Wisconsin seniors' skimping on needed medication or other daily necessities.

We are projecting that the savings to Medicaid will continue to be significant under our proposed waiver extension for state fiscal years 2008 through 2010. In fact, as shown in our waiver application, there are projected savings of \$697 million to the Medicaid program alone during the waiver extension period. These savings include \$404 million in reduced federal expenditures.

CMS has requested that Wisconsin provide information about the asset levels of SeniorCare participants. Because SeniorCare eligibility does not include an asset test, this information is not available. Implementing such a survey would create unnecessary confusion and mistrust. Therefore, we will not conduct this survey.

CMS has also requested that Wisconsin describe how the wrap-around request for bid (RFB) previously issued would be re-written. Late last year, Wisconsin developed the RFB as part of the agreement with CMS to continue SeniorCare through the current waiver period. CMS formally approved the final RFB document that was issued in December 2005. No bids were received. Thus, Wisconsin has already fulfilled this request because nothing has substantively changed since last year.

Lastly, CMS has asked Wisconsin to describe how we will move SeniorCare participants to the Low Income Subsidy portion of Medicare Part D. Because both SeniorCare and Medicare Part D are voluntary programs, there is no requirement for seniors to enroll in Medicare Part D. Wisconsin seniors have already been given a choice between the two programs and have clearly expressed their preference. We have no intention of going against these wishes unless CMS decides to end the SeniorCare program.

SeniorCare is an extraordinary program. SeniorCare saves money for taxpayers and meets a critical need for affordable prescription drug coverage for Wisconsin seniors. We are committed to preserving Wisconsin's highly successful SeniorCare program.

Once again, thank you for your willingness to seriously consider our extension request for Wisconsin's SeniorCare Pharmacy Plus waiver. Please contact Kevin Hayden, Wisconsin's Medicaid Director, in the Wisconsin Department of Health and Family Services at (608) 266-8922 with any further questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Doyle". The signature is fluid and cursive, with the first name "Jim" being more prominent than the last name "Doyle".

Jim Doyle  
Governor

Inc: SeniorCare waiver extension request