
What Can Wisconsin Learn from Pennsylvania, the Nation's Largest State Pharmacy Assistance Program for the Elderly

By Tom Snedden

This chapter describes the largest prescription drug coverage program for older adults in the nation. PACE and PACENET help 264,657 Pennsylvania residents over age 65 who are income-eligible with the cost of their prescription drugs. The programs pay for all but a portion of the cost of each drug prescribed by a doctor. The program is funded by the state lottery and administered by the Pennsylvania Department of Aging.

The Pharmaceutical Assistance Contract for the Elderly (PACE) program in Pennsylvania is the largest state prescription drug coverage program for older adults in the nation. This program helps Pennsylvania residents over age 65 who are income-eligible with the cost of their prescription drugs.

What Benefits Do PACE and PACENET Provide?

PACE, established in 1984 and administered by the Pennsylvania Department of Aging, pays for all but a portion of the cost of each drug prescribed by a doctor. Enrolled PACE members are responsible for a copayment of \$6 at the time they get the prescription at a pharmacy. The program is funded by the state lottery.

Members must be Pennsylvania residents at least 90 days before application. Gross income from all sources, both taxable and non-taxable, for the previous year must be less than \$14,000 for single people and less than \$17,200 for married applicants. Since the legislature reauthorization of PACE in 1987, the program has implemented a diversity of measures that have significantly reduced outlays in the program, through increase used of lower priced therapeutically equivalent generic medications, significant manufacturer rebates, reduced provider reimbursements, and a comprehensive drug utilization review program.

In 1996, state legislation expanded the PACE program eligibility requirements and created a new program, PACENET (Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier). PACENET helps eligible older adults with higher annual incomes. To be eligible, applicants' gross income for the previous year must be less than \$16,000 for single people and less than \$19,200 for married couples.

Enrolled members must first satisfy an annual \$500 deductible before PACENET begins paying for medications. After the deductible is satisfied, cardholders also must make a copayment of \$8 for generic drugs and \$15 for brand names for each prescription.

What Trends Have Occurred in Program Enrollment, Usage, and Cost?

PACE/PACENET currently has 264,657 people enrolled. Table 1 displays the ongoing trends of declining enrollments, increasing drug use, and rising costs per cardholder in PACE between 1996 and 1999. Enrollment has declined because the income levels are fixed by statute and cannot be changed without legislative action. Even though PACE enrollment declined over 7% in 1999, claims per person increased by almost 11%. PACENET, however, has had increasing enrollment and usage between 1996 and 1999 (Table 2).

Table 1. Historical Claim and Expenditure Data for PACE Enrolled and Participating Cardholders by Annual Period Based on Date of Service, 1996-1999

Period	Enrolled Cardholders	Participating Cardholders	Claims per Enrolled Cardholder	Claims per Participating Cardholder	Expenditures per Enrolled Cardholder	Expenditures per Participating Cardholder
1996	299,409	246,123	28.23	34.37	\$805.92	\$980.40
1997	281,153	231,482	30.75	37.35	\$854.39	\$1,037.73
1998	262,117	218,080	32.68	39.28	\$1,007.26	\$1,120.65
1999	242,427	204,956	36.17	42.78	\$1,221.03	\$1,444.25

Source: Pennsylvania Department of Aging Cardholder File, Claims History.

Table 2. Historical Claim and Expenditure Data for PACENET Enrolled and Participating Cardholders by Annual Period Based on Date of Service, 1996-1999

Period	Enrolled Cardholders	Participating Cardholders	Claims per Enrolled Cardholder	Claims per Participating Cardholder	Expenditures per Enrolled Cardholder	Expenditures per Participating Cardholder
1996	1,523	740	1.53	3.15	\$0.54	\$1.11
1997	10,793	7,688	20.84	29.25	\$302.85	\$425.16
1998	18,363	13,244	22.21	30.80	\$416.46	\$577.43
1999	22,230	16,767	25.74	34.13	\$581.95	\$771.53

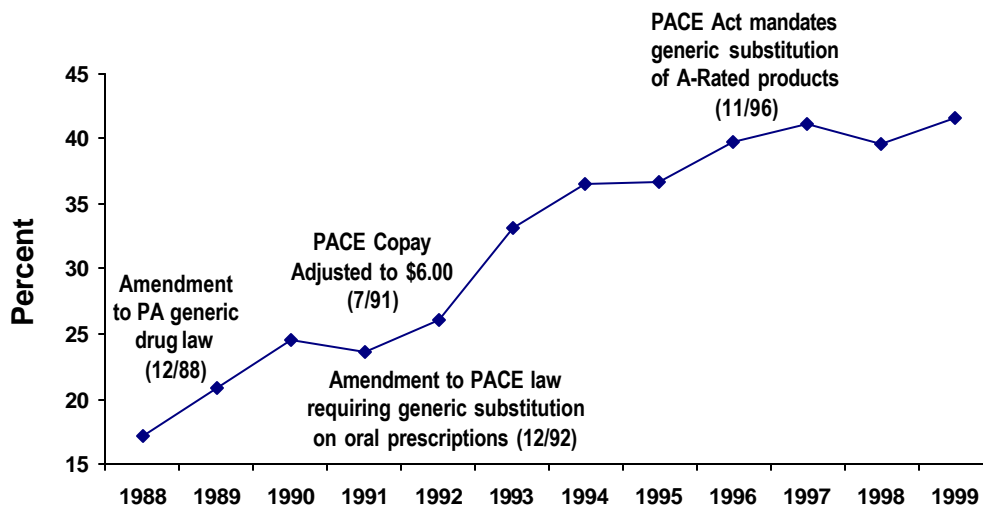
Source: Pennsylvania Department of Aging Cardholder File, Claims History.

Notes: Data include original, paid PACENET claims by date of service. Total claims include deductible claims and copaid claims. Enrolled cardholders are those enrolled for any portion of the reported period. Participating cardholders are cardholders with one or more approved claims during the reported period.

What Prescriptions Are Covered?

PACE/PACENET covers most prescription drugs, as well as insulin, insulin syringes, and insulin needles. PACE requires that generic drugs be used instead of brand names when an approved generic is available. Since PACE/PACENET began requiring generic substitutions in 1992, use of generic drugs has increased from about 25% to just over 40% (see Figure 1). PACE does not cover experimental drugs, medications for baldness or wrinkles, or any drug that is available without a prescription. Under certain conditions, the Department of Aging provides a PACE/PACENET medical exception process.

Figure 1. PACE Generic Utilization Rates by Year, 1988-1999



Source: Pennsylvania Department of Aging Monthly Cost Containment Report.

How Does the Program Work?

To receive benefits, the enrollee presents a PACE or PACENET card to the pharmacist or other dispenser when filling a prescription. Before filling a prescription, the provider submits a claim to the program.

Six types of providers dispense PACE/PACENET-funded prescriptions. The majority of providers are either independent pharmacies or chain pharmacies. Other providers include institutional pharmacies, nursing home pharmacies, mail service pharmacies, and dispensing physicians.

The state reimburses providers for the average wholesale price of the medication minus 10%, plus a \$3.50 dispensing fee or their usual and customary charge (whichever is less), minus the copayment. A limit of 30 days' supply or 100 units (whichever is less) applies to each claim. The program guarantees reimbursement to the provider within 21 days, paying interest on any unpaid balance after that time. A contractor directly responsible to the Department of Aging assists in conducting many of the day-to-day operations.

Adapted with permission from a longer publication, "PACE Annual Report to the Pennsylvania General Assembly: January 1 - December 31, 1999" published by Pennsylvania Department of Aging, April 2000. The full report can be ordered by calling the Pennsylvania PACE program at (717) 787-7313.

Tom Snedden is the Director of Pennsylvania's prescription drug program, Pharmaceutical Assistance Contract for the Elderly, more commonly known as the PACE program. Since 1985 when he assumed the position, he and his staff have spoken with almost every state in the country about what they have learned about prescription drug programs based on their experience with PACE.