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**CORRESPONDENCE MEMORANDUM**

**DATE:** January 26, 2005  
**TO:** Group Insurance Board  
**FROM:** Tom Korpady  
**SUBJECT:** Badger Rx Gold Value Card Program

Recommendation

Staff requests that the Group Insurance Board approve a motion to establish the condition that any Wisconsin resident that lacks adequate insurance coverage for prescription drugs is eligible to join the new Badger Rx Gold Value Card Program, as required in s.40.53 (3), Stats.

Background

Under s.40.53, Stats., the Group Insurance Board is charged with developing a prescription drug purchasing pool that "...shall consist of the state and any eligible party that satisfies the conditions established under sub. (3) for joining the pool."

Building on the success that we have had in purchasing drugs for the state and local government employee pools, Navitus has already begun enrolling employers into Badger Rx. Currently, besides the state plans, KI Industries, the City of Janesville, Dean Health Plan, Bellin Hospital, and ThedaCare participate in the Badger Rx pool. It is likely that several more employers will join in the course of the next several months.

When the Governor and legislature enacted s.40.53 in the last budget bill, there was a desire to make Badger Rx available to individuals in the state that had no other drug coverage. The most common way of doing this is through a "discount card" program, where people that join can get access to the discounts off of retail prices that the pharmacy benefits manager (PBM) has negotiated with its retail pharmacy network. While these discounts are helpful, they are only one piece of the savings that the state program enjoys. Rebates from drug manufacturers offer potentially even greater savings, but under traditional discount card programs, there is no way to get the rebates reflected in the net cost to consumers. The major barrier has been that rebates are calculated quarterly at the end of each calendar quarter of operation, and they are not paid until many weeks after that.

Reviewed and approved by Tom Korpady, Division of Insurance Services.  
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Signature Date

Board	Mtg Date	Item #
GIB	2/15/2005	7

Together with the Department of Administration and the Governor's office, we have worked with Navitus to have rebates figured into the net cost of drugs for individuals. Pharmacies will deduct the value of the rebates at the point the consumer purchases the drugs.

Although details are still being worked on, the program, as envisioned, will look something like the following:

- Wisconsin citizens who lack insurance coverage for prescription drugs will be able to purchase a "Value Card" directly from Navitus. The cost of this card is still being determined, but should not exceed \$30, and will cover the administrative costs of enrollment and processing.
- With this card, the member will be able to go to a participating pharmacy and purchase prescription drugs that are on the Badger Rx formulary at a price that reflects the pharmacy discount and a substantial portion of any available rebates.
- A surcharge may be added to the cost of each prescription to repay the initial loan that was used to fund the delay in payment of rebates, and to cover the costs of any ongoing administration.
- Drugs that are not on the formulary are not included in this program, and if the member wants a non-formulary drug, they will have to pay the full retail price.
- Navitus will be responsible for all operational aspects of this program. ETF will not be a member contact.
- No trust fund dollars will be involved, nor will the experience of this program be co-mingled with that of the state plan.
- ETF is likely to be the "repository" of the rebate fund.

This new program is quite unique in that it will offer a "managed pharmacy benefit" program to individuals in this state. Not only will the prices for prescription drugs be much lower than other discount card type programs because of the inclusion of rebate discounts, but members that enroll will have access to the State's formulary, will have the benefit of the Navitus system that will warn of drug interactions, and will receive informational material from Navitus.