

MARCH 12, 2003

**SCHAKOWSKY: NO REAL BENEFIT
FOR SENIORS UNDER PRESIDENT
BUSH'S Rx PROPOSAL**

WASHINGTON, D.C. -- Last week, President Bush announced his prescription drug proposal for Medicare beneficiaries. Rather than using this opportunity to promote a quality drug benefit that would be dependable and guaranteed for seniors and persons with disabilities on Medicare, the President instead announced his intention to provide a financial benefit to pharmaceutical and insurance companies. By pushing seniors into HMOs - the path to Medicare privatization - and doing nothing to lower drug prices, the Bush policy would enrich industry instead of reducing the financial burden on beneficiaries.

Fortunately, an alternative plan, tailored to meet the needs of Medicare beneficiaries, would provide a comprehensive benefit that is both affordable and guaranteed. I support that plan, outlined by Leader Nancy Pelosi, Whip Steny Hoyer, and Representatives Dingell, Rangel and others, because it puts the needs of Medicare beneficiaries first.

There is no benefit specified in the President's proposal. President Bush proposes that seniors enrolled in the traditional fee-for-service Medicare program would be eligible for catastrophic loss coverage, a discount drug card, and a \$600 subsidy for those in the lowest income bracket. We don't know how much the catastrophic limit would be -- \$5,000, \$7,000, or more. A drug card and a requirement that you spend thousands and thousands of dollars out-of-pocket is not a benefit.

There are several major problems with the President's proposal.

First, a catastrophic-only benefit will help very few beneficiaries. The average Medicare beneficiary spends \$2,500 a year for prescription drugs, meaning that they would get no benefit. For example, if the cap for catastrophic coverage is set at \$6,000, it would only cover 8% of Medicare beneficiaries. This enormous out-of-pocket expense is on top of existing Medicare cost-sharing requirements, which are already high.

Second, the Bush administration continues to promote drug cards, even when evidence shows the cards provide little assistance. Seniors would purchase the card for approximately \$25 and then receive only 10% to 15% off their prescription drugs. In other words, an average beneficiary with \$2,500 in drug bills would pay \$2,125 to \$2,250 under the Bush plan. In contrast, drug companies receive about \$25 per person, per year from any number of the over 40 million current Medicare beneficiaries. Drug cards are marketed by private companies, and herein lies the true motivation to promote them. Not only do the cards provide a financial windfall for private companies, but they

fail to offer meaningful assistance to Medicare beneficiaries. Even with the card, there is no guarantee that needed prescription drugs would be covered. Likely, drugs would have to be on a pre-approved list to be covered.

Third, a \$600 subsidy for Medicare recipients who are living at the poverty level is simply inadequate. Low-income elderly and disabled persons do not have the resources to purchase their medicine. Too often, they are forced to skip taking their necessary prescription because they can't afford it. President Bush's plan would offer the poorest Medicare beneficiaries a way to get \$600 more worth of medicine, but unless they are eligible for Medicaid, they are still left to pay the rest of their costs on their own.

Catastrophic coverage, discount cards, and a possible subsidy constitute the extent of the President's plan unless beneficiaries move out of the traditional Medicare program and into a private plan, such as a PPO or HMO. Currently 89% of Medicare's beneficiaries are enrolled in the traditional fee-for-service program where they can choose their physician. President Bush is effectively pushing them out of that program and into a private plan, where they would supposedly receive an actual drug benefit. However, the details of the actual drug benefit - the premium level, cost-sharing requirements, and value of the benefit itself -- are not delineated in the President's proposal. The lack of detail present throughout the proposal is extremely disconcerting.

Medicare+Choice is a haunting reminder of how private plans under Medicare can leave beneficiaries without choice, benefits, and providers. The plans not only lowered benefits and raised cost-sharing, but in many places pulled out of the market altogether. The drug benefit that Medicare+Choice initially offered has since largely dissipated. In 1999, only 11% of Medicare+Choice enrollees had a drug cap of \$500 or less, meaning that plan would only cover up to \$500 of drug costs. By 2002, that percentage exploded, leaving 50% of enrollees with a drug cap of less than \$500. Since 1999, 2.4 million beneficiaries have been dropped from the Medicare+Choice program completely. In over 30 years, the Medicare program has never dropped a beneficiary from coverage.

The Administration wants to use the drug benefit as a carrot to lure beneficiaries into private plans. This forces elderly and disabled populations to choose between doctors they know and trust and the medications they know they need. We are not fooled by what the administration is doing. They have no intention of offering a drug benefit to Medicare recipients. The reason why President Bush is pushing this approach is because he is attempting to privatize the entire Medicare program.

It is imperative that we critically examine the risks involved in pushing beneficiaries into private plans, even though the list of concerns is long and daunting. Private insurance plans are inherently risky and unstable. Covered benefits would vary from plan to plan, from state to state, from one year to the next - leaving millions of beneficiaries with unstable coverage, if any at all. Private insurance plans are not available in every city or state, can drop coverage at any time, occasionally go bankrupt, and can be taken over by other HMOs that later change the rules. Under Medicare, the same basic package is

available everywhere.[] []

In addition to reducing benefits, private plans could raise premiums, increase copayments, restrict formularies, and limit choice of doctors or pharmacies in order to offset costs.[] Between 2001 and 2002, average monthly premiums increased 40% for Medicare + Choice enrollees.[] Enrollees in these plans have also been subjected to rising copayments for both generic and prescription drugs.[] Private plans can restrict formularies thereby dictating and restricting covered drugs.[] In fact, some private plans have completely eliminated coverage of brand-name prescription drugs. This is especially troubling, considering that of the 50 drugs the elderly most commonly use, 40 are brand-name drugs, and only eight of these are available in a generic version.[] Private plans restrict beneficiaries to those doctors or pharmacies included in a particular plan.[] Even though the elderly and persons with disabilities often choose their physicians or their pharmacies based on nearness and accessibility, private plans would not take this into account.[] [] [] []

I am not willing to compromise the health and well-being of senior citizens and people with disabilities so that private companies can get rich.[] Medicare beneficiaries deserve a real and substantive drug benefit regardless of the Medicare plan they are enrolled in.[] For those reasons, I support the House Democratic prescription drug proposal, the Medicare Rx Drug benefit and Discount Act of 2003.[] []

The House Democratic proposal adds a new Part D in Medicare that provides voluntary prescription drug coverage for all Medicare beneficiaries beginning in 2006.[] Those wanting the benefit would pay a \$25 monthly premium and a \$100 deductible for drug coverage.[] Medicare would pay 80 percent of drug costs, 100 percent after beneficiaries spent \$2000 out of their own pockets on prescriptions.[] Full coverage of premiums and assistance would be provided for persons with incomes below 150% of poverty and sliding scale premiums would be in effect for those persons between 150% and 175% of the poverty level.

Under the Democratic proposal, strong measures will be implemented to keep drug-prices down.[] First, the Secretary of Health and Human Services (HHS) would use the collective bargaining clout of more than 40 million Medicare beneficiaries to negotiate fair drug prices.[] Second, drug companies will be prevented from extending patents that allow them to use their monopoly power to block competition and keep prices artificially high.[] []

The Medicare Rx Drug Benefit and Discount Act of 2003 offers a real benefit to Medicare beneficiaries as opposed to drug companies.[] Bush's proposal is served up as a gift to drug and insurance companies that have financed Republican elections and agendas.[] If the President has his way, insurance and drug companies will profit, but millions of Medicare beneficiaries will still lack affordable, comprehensive coverage.