

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Baltimore, Maryland 21244-1850



Office of the Actuary

DATE: June 18, 2002

FROM: Richard S. Foster
Chief Actuary

TO: Representative William M. Thomas
Chairman
Ways and Means Committee

SUBJECT: Estimated Proportion of Medicare Beneficiaries Who Would Purchase Drug Insurance Coverage under Draft Medicare Reform Legislation

The draft Medicare reform legislation developed by the House Ways and Means Committee¹ would provide for a voluntary program of prescription drug coverage for Medicare beneficiaries. Coverage would be offered through insurance companies and health plans, with partial Federal reinsurance for beneficiaries incurring high drug costs and with a Federal premium subsidy. Together, the reinsurance and premium subsidy would cover 65 percent of the average value of the drug benefit. Beneficiaries could enroll in this program at any time but would face potential higher premium rates or preexisting condition exclusions if they delayed enrollment past their first opportunity.

We estimate that virtually all Medicare beneficiaries (i.e., at least 95 percent) would opt for such drug coverage. This estimate is subject to change if the provisions of the draft legislation are modified. In general, however, we would expect a very high participation rate for any drug benefit with a substantial premium subsidy and potential penalties for late enrollment.

Please let us know if you have any questions about this information or if we can be of additional assistance.

A handwritten signature in black ink that reads "Richard S. Foster".

Richard S. Foster, F.S.A.
Chief Actuary

cc: Tom Scully

¹ Draft dated June 12, 2002.