

# Committee on Ways and Means

## Medicare Prescription Drug Bill Helps Stabilize and Enhance Employer-Sponsored Health Care Benefits for Retirees

***Rising Costs Place Increased Pressure on Employer Health Plans*** - About one-third of Medicare beneficiaries receive retiree coverage from their former employers. While most of these people are happy with their coverage, employers are under increasing pressure to drop or reduce their prescription drug coverage.

- Private health premiums grew 8.4% in 2000, the highest rate of increase since 1993 and the Kaiser Family Foundation estimates premiums increased 11 percent in 2001. Most employers predict double-digit health inflation well into the future.
- Employer's health costs are driven largely by enormous growth in prescription drug spending. Prescription drug spending increased 17.1% last year. CMS estimates average annual cost growth of 11.7% over the next five years.

***Steps to Improve Medicare Will Help Ensure Retirees Continue to Receive Employer-Sponsored Coverage*** - Our Medicare bill helps employers retain or expand their prescription drug coverage, so that beneficiaries can keep their employer-sponsored drug coverage.

- The Medicare prescription drug bill allows employers who provide retiree health coverage to access federal premium subsidies for their retirees if they provide coverage that is at least as generous as the Medicare drug benefit (\$250 deductible, 80-20 coverage for first \$1,000, 50-50 coverage from \$1,001 to \$2,000, and \$3,700 catastrophic coverage.)
- Employers would receive 67 cents on the dollar for the premiums of each covered Medicare beneficiary for the standard benefit. In addition, employers will continue to receive the tax benefit for providing employer-sponsored health benefits. This subsidy encourages employers to continue to offer or even expand coverage.

***Program Improvements Will Stabilize and Strengthen Medicare*** - Since employers help finance Medicare through the Hospital Insurance payroll tax and general revenue, they should support the following bill provisions that will make Medicare more efficient.

- Stabilizes the Medicare+Choice program and then moves it to a competitive structure to bring greater efficiency to Medicare. This allows beneficiaries and taxpayers to share in the savings created by competitive efficiencies.
- Creates competitive bidding for Durable Medical Equipment, an area where Medicare overpays for items such as wheel chairs and oxygen.