



June 18, 2002

The Honorable Bill Thomas  
Chairman, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Thomas:

Thank you for your initiative to move legislation through the House this year that will address the important need for prescription drug coverage in Medicare. As you know, AARP's top priority is available and affordable prescription drug coverage for all Medicare beneficiaries.

Our members, and virtually all older Americans, need this coverage now. They cannot wait any longer for protection against the increasing costs of prescription drugs.

We are pleased that your bill makes the voluntary prescription drug benefit permanent and maintains the entitlement nature of the Medicare program.

The bill contains other favorable components as well. For the approximately 50 percent of beneficiaries who are estimated to have annual prescription drug costs of \$2,000 or less in 2005, the initial level of coinsurance in the bill should be attractive. Likewise, the financial assistance for low-income beneficiaries with drug costs under \$2,000 is vitally important.

We also appreciate your efforts to contain drug costs because a Medicare drug benefit alone, without effective cost controls, will be difficult to sustain as our growing population of older Americans increases its drug utilization. While we want to ensure that cost containment mechanisms result in meaningful savings, it is critical that these mechanisms do not impede access to needed medications.

More needs to be done to ensure that a final bill provides a benefit of value to our members and a program in which Medicare beneficiaries will enroll. As the process moves forward, the issues of funding adequacy, structure, benefit viability, and other Medicare changes like the home health copay, need to be addressed.

Chairman Thomas  
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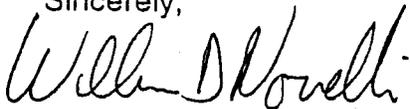
A voluntary drug benefit must attract broad enough participation to avoid the dangers of risk selection. Our research shows that beneficiaries assess the value of the benefit by adding up the premium, coinsurance, and deductible to determine if it is a good buy. The existence of a large coverage gap is a strong disincentive to enrollment. More funds are needed to close this gap and protect the viability of the program.

Unfortunately, a substantial amount of the already limited funds allocated for a prescription drug benefit have been diverted to pay for provider reimbursement increases. We believe that providers should be paid fairly for treating Medicare patients, but Medicare beneficiaries have waited long enough for relief from high prescription drug costs. Every dollar allocated to a "givebacks" package means one dollar less for a Medicare drug benefit. We firmly believe that agreement on an affordable Medicare prescription drug benefit should be reached before Congress considers additional provider reimbursement increases.

Our research also indicates that older Americans are looking for stability and dependability in coverage. Therefore, it is important to ensure that private sector entities will be willing to offer coverage.

AARP's goal is enactment this year of an affordable Medicare drug benefit that is available to all beneficiaries. This bill requires improvements before our members will provide their support. We want to work with you to assure adequate funding and resolve other issues as the process moves forward and before any legislation is enacted into law.

Sincerely,

A handwritten signature in black ink, appearing to read "William D. Novelli". The signature is fluid and cursive, with a horizontal line extending from the end.

William D. Novelli  
Executive Director and CEO