

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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June 25, 2002

TO MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

On behalf of the U.S. Chamber of Commerce, the world's largest business federation with more than three million businesses and organizations of every size, sector and region, I am writing in support of H.R. 4954, the "Medicare Modernization and Prescription Drug Act of 2002." In particular, we would like to draw your attention to provisions in the bill that give Medicare beneficiaries greater choices and much improved benefits, ensure the financial viability of providers who do business with the program, and provide urgent relief to employers who sponsor health coverage for retirees. More importantly, the bill gives seniors long overdue assistance with prescription drug expenses — without disrupting any private coverage they now have — and does so in a far more fiscally responsible manner than others have proposed.

The current Medicare benefits structure is an anachronism of both medical practice and plan design. More seriously, it is financially unsustainable in both near- and long-term. While policymakers have long focused on the solvency of the Medicare Part A Trust Fund, which is funded by workers' payroll taxes and matched by their employers, greater vigilance must be paid to benefits provided under Medicare Part B. Three of every four dollars in outpatient services is paid for by general revenues — not specially earmarked taxes. Growth in this part of Medicare exploded at a rate of 12 percent last year and consumed six percent of all federal tax expenditures. As we face the new realities of defending our homeland and reviving our economy, we simply cannot allow any entitlement to grow unchecked. These facts alone are a prescription for reform.

Market competition to provide beneficiary choice while containing costs is essential to sustain Medicare beyond the next decade. Above all, all Medicare beneficiaries should have access to prescription drugs and the latest advances in medical innovation as an integral part of their Medicare coverage. H.R. 4954 is a good first, if incremental, step toward these goals. More immediately, it addresses serious insufficiencies in provider payments that in turn will protect seniors' access to care. The bill also simplifies providers' ability to do business with the federal government by providing relief from onerous regulatory burdens while maintaining the integrity of the program and its ability to halt fraud and abuse. These reasons alone merit your support for this legislation.

In addition, H.R. 4954 ensures that employer sponsored retiree health plans could receive the same subsidy as any other private drug coverage plan so long as the benefit is actuarially

equivalent. As you know, a significant number of Medicare beneficiaries with prescription drug coverage (44 percent) have it through their former employers. Maintaining the continuity of this benefit through retiree benefit programs is essential to the government's ability to guarantee prescription drug coverage for all Medicare beneficiaries.

The Chamber believes that the current Medicare fee-for-service program is a prime example of the ill effects of government-dictated price controls. When the government fails to properly compensate health care providers due to budget shortfalls, flawed modeling or poor cost estimates, providers turn to other payers — predominantly private patients with employer-sponsored coverage — to make up the difference or they cease to serve communities altogether. Expanding Medicare's single-payer system of government price controls to other sectors of the health care system will irrevocably harm the finest health care assets in the world as the Medicare population grows.

Again, we urge the House of Representatives to pass H.R. 4954, the "Medicare Modernization and Prescription Drug Act of 2002," and provide today's seniors and the disabled with improved Medicare benefits while putting the program on the path to a more secure future.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is written in a cursive, somewhat stylized font.

R. Bruce Josten