Committee on Ways and Means

Medicare Prescription Drug and Modernization Act of 2003

Guaranteeing Prescription Drug Coverage to All Beneficiaries

Actuaries from two different branches of government say all are covered

Both the Congressional Budget Office (CBO) and the CMS Actuary – actuaries from two different branches of the government – have stated that numerous plans will be available and more than 95% of beneficiaries will voluntarily sign up for the benefit. These non-partisan actuaries have no axe to grind and are in agreement on this point.

Plans may be certified directly by Medicare

If a plan is not certified by a state in a timely manner, Medicare itself can certify the plan (Section 1860D-4). This enables plans to be offered across multiple states and regions without the time consuming effort of being approved by each state insurance agency.

Federal Fall Back

Under Section 1860D-5, Medicare is required to provide a choice of at least two plans, including one plan offered to beneficiaries who remain in the traditional fee-for-service program. Medicare may provide the partial underwriting of risk for plans to expand their service area or to entice a plan into the area – so long as necessary to assure access. The government may not assume 100% financial risk.

Assuring access is an issue for ALL Medicare bills

Even the most government-regulated prescription drug bills contemplate the problems of being able to assure all Medicare beneficiaries have access to the prescription drug benefit. For example, below is the language from the Stark-Rangel $1 trillion government-run benefit bill (HR 1199):

Section 1859B (9) ACCESS TO BENEFITS IN CERTAIN AREAS-`(A) AREAS NOT COVERED BY CONTRACTS- The Secretary shall develop procedures for the provision of covered outpatient prescription medicines under this part to each eligible beneficiary enrolled under this part that resides in an area that is not covered by any contract under this part.

Why Should Plans Be Put at Some Risk? Lower prices for Seniors and Taxpayers

CBO has continually stressed the importance of putting the plan at risk for purposes of encouraging aggressive negotiations with pharmaceutical manufacturers and others in the distribution chain. After all, if some of their own money is at risk, they will have greater incentives to control costs. CBO has evaluated the House Medicare Prescription Drug and Modernization Bill and given it the highest pharmaceutical cost management factor (PCMF), of any bill considered this Congress. The PCMF is a measurement of how efficient the plans are in negotiating discounts, encouraging beneficiaries to take cheaper generics, and control inappropriate utilization.

If the government is fully at risk, plans have little incentive to control costs and will simply process claims. This results in higher government and beneficiary expenditures and invites price controls and government micro-management.