

Medicare Prescription Drug, Improvement, and Modernization Act

Key Issues

1. Immediate assistance through Rx drug card
2. Drug Benefit
3. Low-income assistance
4. More and better choices for seniors
5. Assisting providers
6. Modernizing Medicare
7. Cost Containment
8. Health Savings Accounts (HSAs)

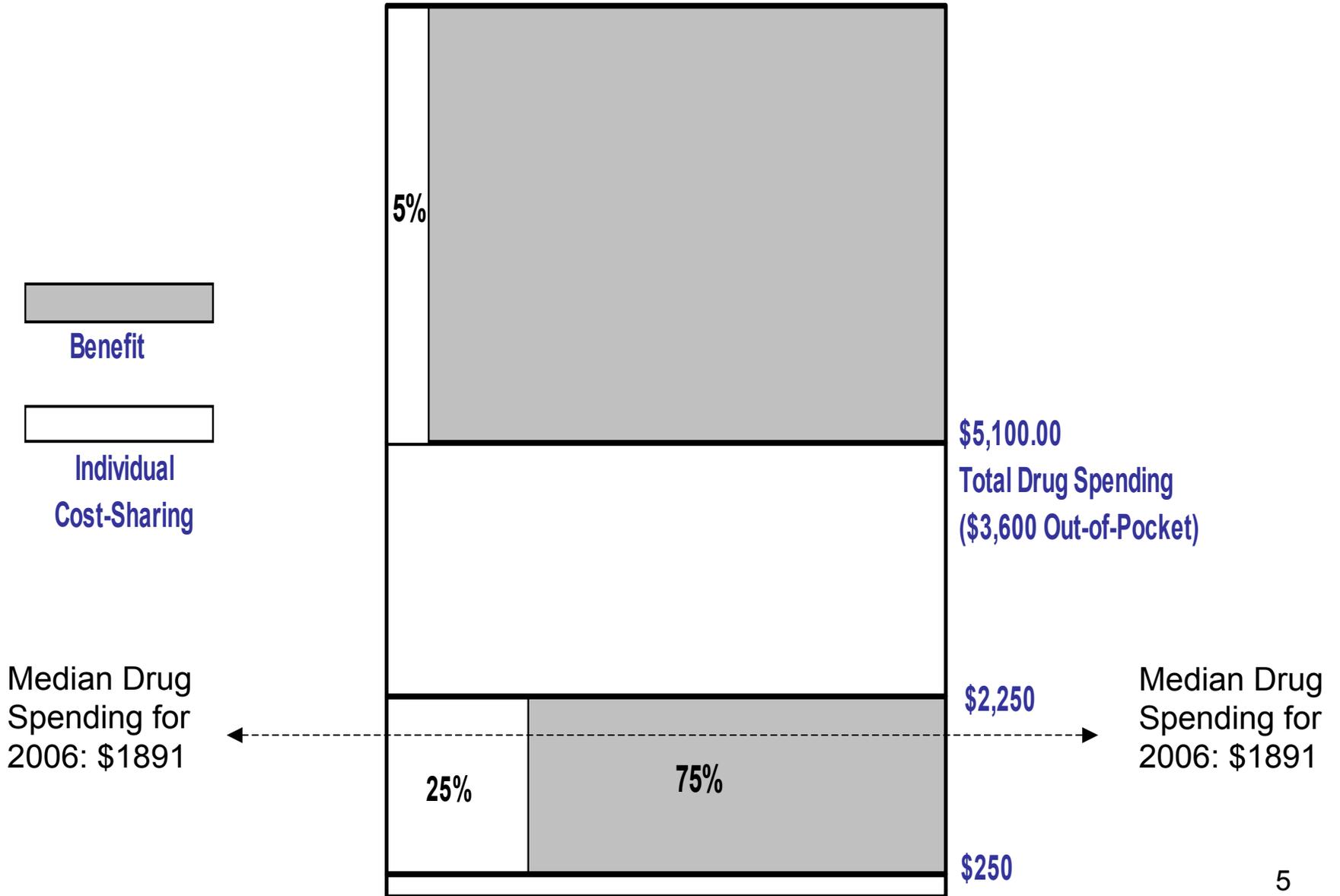
Immediate Assistance through Rx drug discount card

- In Spring 2004, all seniors can obtain a Medicare-endorsed Rx drug discount card
- HHS estimates 15-25% savings per prescription
- Low-income seniors get \$600 per year (2004 & 2005) in assistance for Rx drugs

Drug Benefit

- Provide affordable prescription drug coverage to all seniors
 - $\frac{3}{4}$ of costs covered up to \$2,250
 - Catastrophic protection after \$3,600 in out-of-pocket expenses
 - \$35 average monthly premium
 - Provide seniors group purchasing power to negotiate significant discounts (25% according to HHS)

Drug Benefit



Low-Income Assistance

- No senior will ever have to choose between Rx drugs and other necessities of life
- Beneficiaries with incomes below 150% of poverty have comprehensive coverage
- Premiums fully subsidized up to 135% of poverty and phased-out at 150%
- Copays of \$1 for generic and \$3 brand name for Duals below 100% of poverty
- Copays of \$2 for generic and \$5 brand name for beneficiaries with incomes below 135% of poverty

How does a senior get prescription drugs?

Medicare Advantage Regional Plans

Medicare Advantage Local Plans

New Prescription Drug Plans

Former Employer Plans



Encourage employers to retain and enhance retiree coverage

- 1/3 of beneficiaries currently have Rx drug coverage through former employers
- Employers would receive a percentage subsidy to maintain coverage for their retirees
- Subsidy is excludable from taxation
- Employers provided maximum flexibility in administering benefit
- CBO predicts very few employers will drop coverage

Controlling Rx drug costs

- Plans have incentives and tools to aggressively negotiate with pharmaceutical manufacturers
- Medicaid “best price” exemption, allows both Medicare plans and retiree plans to negotiate deeper discounts from pharmaceutical manufacturers
- Hatch-Waxman reforms in the bill speed cheaper generics to the market

New Choices and Private Plan Alternatives for Seniors

- New private, open-network plans offered regionally
- Plans must offer:
 - Rx drug benefit
 - Chronic care improvement programs
 - Combined deductible and limitation on out-of-pocket expenses
 - Uniform premium and cost sharing across the region
- Local Medicare+Choice (Medicare Advantage) program strengthened
- Plans paid on their bids, with savings shared between the beneficiary and government

Helping Providers Better Serve our Seniors

- Hospital and physician groups support
- Best rural package ever considered by Congress
- Block impending physician payment cuts with modest payment increases
- Regulatory and contracting reform to reduce paper work on over-burdened providers
- Reform abusive “average wholesale price” payment structure for currently covered drugs, while adequately paying oncologists

Strengthening Medicare for the Future

- Keep seniors healthier by covering:
 - An initial physical
 - New preventive benefits (cholesterol and diabetes screenings)
 - Chronic care management programs for those with chronic conditions.
- Index the Part B deductible, which has not changed in 12 years and has led to cost insensitivity
- Income-relate the Part B premium, by decreasing the government subsidy for those with higher incomes
 - Affect beneficiaries with incomes over \$80,000 for a single or \$160,000 for a couple
 - Changes begin in 2007 and are phased-in

Comparative Cost Adjustment Program

- Requires direct competition between private plans and traditional fee-for-service
- Begins in 2010
 - 6 years
 - 6 Metropolitan Statistical Areas (MSAs) across the country
 - 25% or more private plan market share
- Premiums cannot go up or down more than 5%

Cost Containment

- Require Congress to respond if general fund revenue contributions exceed 45% of Medicare spending
- Special legislative procedures are triggered
 - President submits proposal to address problem within 15 days of budget submission
 - House: expedited review with discharge option
 - Senate: limited debate with discharge option

Health Savings Accounts

- Creates new Health Savings Accounts (HSAs) to pay for qualified medical expenses. Available to all individuals.
 - Contributions are pre-tax
 - Earnings are tax-free
 - Distributions are tax-free
 - Portable. The accounts belong to the individual
 - High deductible policy ensures lower premiums
- Requires a health plan with a minimum deductible of \$1,000 (self policies) or \$2,000 (family policies).
 - First-dollar coverage for preventive care services is allowed.

Health Savings Accounts (Continued)

- Contributions up to 100% of the health plan deductible.
- Maximum contribution is \$2,500 for single individuals and \$5,050 for families.
- Contributions from individual's employer and family members are allowed.
- Allows catch up payments to increase assets near retirement
- Qualified medical expenses, include:
 - retiree health insurance premiums,
 - prescription drugs,
 - Uncovered Medicare expenses,
 - long-term care services and long-term care insurance.