

Committee on Ways and Means

Medicare Prescription Drug and Modernization Act of 2003

Prescription Drug Coverage Expected to be Quickly Established and Available

Some argue that the experience of the Medicare+Choice (M+C) program demonstrates the private sector's unwillingness to participate in the Medicare drug benefit. But the requirements are very different.

- **Medicare+Choice and prescription drug coverage are completely different.** M+C requires health plans to set up a full health care delivery infrastructure in every geographic area where they operate, including hospitals, primary care, and specialty physicians. Setting up pharmacy networks requires far less infrastructure and will be viable throughout the entire country.
- **Prescription drug coverage exists in rural areas today.** Private insurers currently deliver prescription drugs to millions of Americans with private health insurance. Because even rural Americans have access to a pharmacy, it is much easier to establish PBM networks in these areas than it is to establish full managed care networks.
- **Medicare+Choice and prescription drug plans have different risk arrangements.** Medicare+Choice plans were at 100% risk for enrollee costs. Although prescription drug plans are at substantial risk in order to encourage them to contain costs, the risk is partially shared with the government through reinsurance for catastrophic expenditures. This will add to the stability of private plan participation.
- **The government offers incentives to enter underserved areas.** Either through Secretary-designed service areas or through financial incentives, the government is guaranteeing access to at least two plans in every area.

**LOCAL INFRASTRUCTURE REQUIREMENTS
FOR A RURAL MEDICARE+CHOICE vs.
A RURAL PRIVATE DRUG PLAN**

MEDICARE+CHOICE PLAN	PRIVATE DRUG PLAN
<ul style="list-style-type: none"> • Contracts with Hospitals <ul style="list-style-type: none"> • Acute • Rehabilitation • Psychiatric • Long-term care • Contracts with Primary Care Physicians • Contracts with Physician Specialists <ul style="list-style-type: none"> • Cardiologists • Ophthalmologists • Oncologists • Gynecologists • Urologists • Gastroenterologists • Etc. • Contract with a Skilled Nursing Facility • Contract with a Home Health Agency • Contract with Durable Medical Equipment Dealers • Contract with a Laboratory for Testing • Contract with a Dialysis Center • Contract with a Medical Supplier 	<ul style="list-style-type: none"> • Phone • Pharmacy • Mailbox