



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

MAR - 4 2004

The Honorable Bill Thomas  
Chairman  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515-6548

Dear Mr. Chairman:

Thank you for your letter regarding the issue of employer subsidy payments provided under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

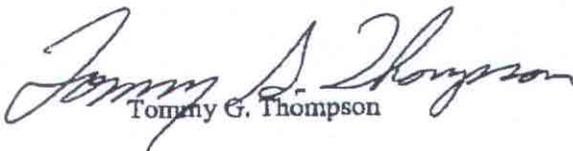
First of all, let me assure you that the Department of Health and Human Services and the Centers for Medicare & Medicaid Services (CMS) are working diligently to implement this historic Act. Obviously, questions of interpretation inevitably arise in any legislation but especially so in a measure as important and complex as this one.

In your letter, you sought to clarify the intent of Congress with respect to the new subsidy payments for employers and union sponsored plans as provided under Title I, Section 1860D-22. I agree with your conclusion that it is incorrect to assume that employers and union plans are entitled to the subsidy payment, regardless of how much cost sharing retirees are required to pay. As the law states, to qualify for a subsidy, employer and union plans must offer drug coverage that is "at least equal to the actuarial value of standard prescription drug coverage" in Medicare Part D.

CMS staff is currently drafting regulations that will outline in greater detail all the parameters associated with the subsidy payment. We look forward to having a proposed rule on this and other Part D issues in the coming months.

I look forward to working with you as we implement this landmark legislation. Please feel free to call with concerns or questions.

Sincerely,

  
Tommy G. Thompson