

Dissenting Views on HR 2473
Medicare Modernization and Prescription Drug Act of 2003
June 19, 2003

We oppose the Republican Medicare bill reported by the Committee on Ways and Means. This is not a bill designed to ensure that seniors and people with disabilities get a long overdue Medicare prescription drug benefit that is available and affordable to all. Instead, it is an effort by the Republican Majority to complete their ideological mission to have Medicare “wither on the vine”.

Despite the legislation’s paltry benefit and fundamentally flawed structure, our committee could have reported a bill supported by a strong bipartisan majority with only two simple changes that we offered as amendments. But Republicans rejected our efforts to find a compromise. This absolute refusal to negotiate reinforces our firm belief that privatizing Medicare is their real goal in this so-called reform effort.

Prescription Drug Coverage

This legislation has a grossly inadequate drug benefit that was designed to fit into the Republican budget, not the budget of America’s elderly and disabled citizens. If the majority hadn’t squandered trillions on tax breaks for the wealthy, we would have had more resources to improve this benefit.

Unlike Medicare Part B, where every beneficiary pays the same premium, the premium for prescription drug coverage would not be set in the statute. Although Republicans claim that the premium for this coverage will be \$35 per person per month, that is merely a guesstimate. Premiums could be much higher and will vary in different areas of the country and even among plans in the same area. Private insurance premiums in the commercial market are rising at double-digit percentages each year, with most insurers citing prescription drugs as the primary driver. Unstable premiums translate into an unreliable benefit for senior citizens and other Medicare beneficiaries who are living on fixed incomes.

In addition, after the initial coverage limit of \$2,000, beneficiaries are forced to pay 100 percent of the cost until total drug spending reaches \$4,900, after which the plan will pick up the costs. This patchwork quilt of coverage doesn’t exist today in any other public or private plan. Almost half of all beneficiaries – 48 percent – will fall into this gap and only 10 percent will have drug needs

high enough to get the catastrophic coverage on the other side of the gap. This means that a senior citizen with average drug spending in 2006 would find themselves with coverage for their medications until August, after which they would receive no coverage for the rest of the year while still paying a sizeable premium.

This legislation also would tie the level of benefits to income. The point at which catastrophic coverage would begin would be based on a beneficiary's income. People in the highest category would have no coverage from \$2,000 to \$13,200 in drug spending. If they needed more than \$13,200 worth of drugs, coverage would begin again. Given that wealthier beneficiaries have already paid more through the payroll taxes during their working years, this double taxation of Medicare benefits should be rejected. Even worse, however, is that this misguided policy would require the IRS and the Department of Health and Human Services (HHS) to share sensitive income data on beneficiaries for the first time. HHS would then have to give information to the plan to indicate the level of the benefit for each beneficiary, a de facto disclosure of income. It appears that beneficiaries who refuse to authorize the sharing of this information might be excluded from the drug coverage. It's an offensive invasion of privacy that undermines the social insurance nature of Medicare and it ought to be rejected.

While Republicans purport to protect those on the lower-ends of the income scale, even those provisions fall far short. Help for even the poorest seniors – those with incomes below \$8,980 – is contingent on meeting an assets test. This means that they will not get the extra help if they have even modest savings (\$4,000 or more). Data suggest that more than one-third of otherwise eligible low-income beneficiaries would be excluded as a result of this hidden hatchet.

Republican Members of the Ways and Means Committee and the President of the United States are fond of saying that Medicare beneficiaries should get the same choices as Members of Congress do with respect to prescription drug coverage. They like to say that as a rhetorical point, but their rhetoric doesn't match the reality of this bill. As Members of Congress, we get our health insurance through the Federal Employees Health Benefits Plan like all federal employees. There isn't a single plan option in FEHBP as bad as the one they're promoting for seniors in Medicare.

We're also very concerned that the Republican Medicare bill will cause employers to drop retiree prescription drug coverage. The Congressional

Budget Office informed us at the mark-up that those concerns are real. They estimate that 32% of employers who are currently providing retiree prescription drug benefits will drop that coverage if this bill becomes law as written. That needs to be fixed in this bill as well. We should be using this opportunity to reinforce the better coverage that is out there, not erode it.

While there are many other problems in this legislation, we are also particularly troubled by the fact that it does nothing to guarantee lower prices. In fact, it includes language that actually prohibits the Secretary of Health and Human Services from “interfering” in negotiations between private plans and drug companies. This is an extraordinary prohibition that affects Medicare beneficiaries and taxpayers alike. It is fiscally irresponsible.

Fundamental flaws

All of these are very serious concerns, but we would still be willing accept this bill as a good faith effort to add a prescription drug benefit to Medicare if Republicans would accept two changes. First, the bill must be amended to include a uniform, defined prescription drug benefit that is universally available through Medicare. Second, the bill must reject proposals to privatize the program. These two changes are critical.

No real Medicare drug benefit

The lack of a uniform nationally available, defined prescription drug benefit in Medicare in the Republican bill is a fundamental flaw. The bill relies solely on private plans to provide the new prescription drug benefit. Unlike every other benefit in Medicare – doctor’s visits, hospitalizations, and physical therapy as examples – a beneficiary would not have coverage through Medicare for prescription drugs. Instead, a Medicare enrollee would be “entitled” to purchase a private prescription drug plan at varying prices around the country, provided one was even available –and affordable -- in their community. That is not an entitlement at all.

On top of that, we’re concerned the bill won’t work. Beneficiaries who want to remain in traditional Medicare would theoretically purchase new private drug-only plans; all others would get their prescription drugs through HMOs, PPOs and other managed care plans. The bill would divide the country into regions and would require that beneficiaries have the choice of two private drug plans (only one of which need be a drug-only plan) in each of those regions. But, there is no provision in the bill to account for the possibility that two plans

simply won't appear in each region! It may be that no plans appear. As President Bush's Medicare Administrator, Tom Scully, has said, these drug-only plans "don't exist in nature and won't work in practice." We have yet to see any proof from the Republican authors of this program or insurance companies that these plans will materialize. In fact, Wall Street analysts, insurance companies and pharmaceutical benefit managers have cast considerable doubt on this scheme. The legislation would allow the government to try to bribe the plans to participate, but if they turned down that offer, there is no backup plan and beneficiaries would have no place to buy coverage.

Even worse, if two plans do appear, but the HMO offers a more affordable benefit than the drug-only plan, beneficiaries in traditional Medicare may be left with no option but to give up Medicare and enroll in an HMO to get prescription drug coverage. That's wrong. We repeatedly inquired about what would happen in such a situation, but failed to get any suitable answer from the Republicans.

Democratic amendments

Add a guaranteed Medicare benefit. The first key change necessary for us to support the Republican Medicare bill is to provide a guaranteed drug benefit managed by Medicare in the same way that we manage Medicare Part A (hospital services) and Medicare Part B (physician services). We can accept that private plans be allowed to compete to provide Medicare benefits, but only if beneficiaries in traditional Medicare are not disadvantaged as a result. All our amendment would do is add a stable, defined drug benefit in Medicare that is available everywhere in the country. The Republican private plans could still operate as envisioned under the this program, but a Medicare option with a national, defined benefit would also be in place in every community, regardless of how many private plans were offering coverage in the area. That's the promise of Medicare today with respect to health services and it should hold true for medications as well.

Republicans shouldn't be threatened by this amendment. If the private sector truly is more efficient and able to offer better options than government-run Medicare, people will leave the traditional Medicare plan and join the private sector options developed in this Republican bill.

This is a sensible amendment that does nothing more than maintain the promise of Medicare since its inception in 1965 and carry that promise into the future. However, Republicans opposed this amendment on a strictly party line

basis.

Eliminate privatization of Medicare. The second fundamental concern we have with the Republican bill is its goal to privatize Medicare. Make no mistake about it. The ultimate goal of this bill is to end Medicare's entitlement to defined benefits. Providing a drug benefit to seniors is simply the window dressing. It includes a whole scheme starting in 2010 that will end Medicare as a defined benefit universally available at a uniform price for all of America's seniors and people with disabilities. Instead, seniors' ability to get the health care they need would depend upon their ability to afford a plan that meets their needs. Beneficiaries who need or want to stay in traditional Medicare will have to pay more to do so.

Remember, Medicare was created because the private health care system would not provide affordable health insurance coverage for seniors. We shouldn't be turning back the clock to those times. But that's exactly what the Republican bill – as written – will do.

The Bipartisan Commission on the Future of Medicare already rejected this proposal. At that time, the Medicare Actuary estimated that converting Medicare to a competitive model of this nature would result in premium increases in traditional Medicare of 47%.

Increasing Medicare premiums at that rate would absolutely force seniors to leave the program – they wouldn't be able to afford to stay. They would have to go into the "competitive" side of the program and join HMOs, PPOs or other similar private plans. These private options restrict choice of physicians, hospitals and other providers and enforce limitations that don't exist in traditional Medicare. America's seniors don't want to be forced into private health plans that don't meet their needs and, more importantly, limit their choice of physician and doctor. We won't support any bill that takes away the security of Medicare. This section needs to go. Again, we offered an amendment to eliminate it. We were defeated on a party line vote.

Eliminate sweetheart deal for drug companies. This bill creates a new bureaucracy to work with the private plans. Embedded in the section establishing this new agency is a provision that actually prohibits the Secretary of Health and Human Services from "interfering" in negotiations between private plans and drug companies. This is an unprecedented restriction of authority for a government program of this magnitude. With hundreds of billions of federal dollars at stake, Republicans put their friends in the

pharmaceutical industry ahead of taxpayers.

During the anthrax crisis, Secretary Thompson negotiated with the manufacturer of the antibiotic Cipro and cut prices by more than half. The VA negotiates directly for prescription drugs it purchases on behalf of veterans. Even the office that is responsible for the Federal Employees Health Benefits plan does not have its hands tied in this fashion. This is an extraordinary prohibition that affects Medicare beneficiaries and taxpayers alike. We offered an amendment to delete it. But this, too, was defeated on a largely party-line vote.

The Republican bill fails senior citizens

Democrats have supported Medicare from day one – and have consistently worked to improve it. We want a prescription drug benefit added to the program. But, we won't go along with allowing the promise of a drug benefit become the Trojan Horse that ends Medicare as we know it. We are willing to work with House Republicans on a more limited benefit than we know is needed, but they have to be willing to protect the promise of Medicare. The bill reported out of our Committee fails that test, and is a bad deal for America's senior citizens and the individuals with disabilities who depend on Medicare.

Dissenting Views on H.R. 2473
"Medicare Prescription Drug and Modernization Act of 2003"

Ed Rangel

Pete Stark

Ramkishan Gattani

Mike Rodden

Jim H. Cant

John Danner

Tommy Frison

Richard E. Keel

Stephanie M. Jones

Sander Levin

Gerry Kuyba

Ben Cardin

John Lewis

Max Baucus
