A Union of Professionals

American Federation
of Teachers, AFL-CIO

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June 25, 2003

U. S. House of Representatives
Washington, DC 205105

Dear Representative:

On behalf of the more than 1.2 million members of the American Federation of Teachers (AFT), I urge you to vote against H.R. 2473, the Medicare Prescription Drug and Modernization Act of 2003. This bill is seriously flawed and will not provide sufficient prescription drug benefits. In addition, the bill has the potential to weaken Medicare and turn it into a system controlled by private insurers.

H.R. 2473 only provides a prescription drug benefit through private insurance plans offering seniors the choice between HMOs or other options with a limited choice of doctors. Unlike the Senate bill, H.R. 2473 does not provide a fallback if private plans refuse to offer prescription drugs. The result could be that many Medicare beneficiaries will be unable to get prescription drug coverage. This undermines the universal coverage that has been fundamental to Medicare, which assures seniors of access to insurance no matter where they live.

The bill also contains other provisions that have the potential to destroy the traditional Medicare program. For example, by 2010, the "premium support" and the "competitive bidding" provisions in the bill will have increased the cost of traditional Medicare by 47 percent. The "competitive bidding" provisions will leave traditional Medicare with responsibility for the sickest, poorest and most costly patients. Further, the "premium support" provisions will limit government's financial exposure by giving seniors a voucher that will not equal their increased costs.

Traditional Medicare, therefore, will be forced to shift its cost increases to beneficiaries who are the least likely to afford them. Hidden in the bill is a requirement that beneficiaries pay $8 billion in new costs for doctor visits covered under Part B of Medicare. The bill, therefore, may discourage seniors from necessary visits to their doctors. The bill also contains a significant gap in coverage that would cause seniors to pay $3,500 out of pocket before receiving catastrophic coverage. An estimated 48 percent of all Medicare beneficiaries will fall into this gap.

The bill also sets a dangerous precedent. For the first time, Medicare benefits would be based on income as it reduces catastrophic benefits for individuals with an annual income of more than $60,000. This may become a slippery slope of means testing Medicare for all middle-income seniors.

The House bill would harm workers with retiree health plans. These workers have sacrificed increases in salary to retain this vital benefit. Unfortunately, the bill provides inadequate subsidies to encourage employers to maintain this coverage. The bill also does not count payments for prescription drugs

made by retiree health plans toward catastrophic coverage, so these seniors will not receive this benefit. According to the Congressional Budget Office, at least 37 percent of employers will drop their existing retiree health plans as a result of these two provisions.

The AFT strongly urges you to vote against H.R. 2473. If an alternative is allowed under the rule, we urge you to support H.R. 1199 offered by Reps. Rangel and Dingell. H.R. 1199 provides a reasonable benefit within the Medicare system, provides incentives for employers to maintain their retiree health plans and minimizes the gap in coverage.

Sincerely,

Charlotte J. Fraas
Director, Legislation Department

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