

June 25, 2003

Dear Senator:

As the Senate continues to debate S. 1, the “Prescription Drug and Medicare Improvement Act of 2003,” Consumers Union urges you to redouble your efforts to improve the legislation so that it better meets the needs of seniors and people with disabilities, many of whom are in dire need of meaningful protection from the devastating impact of spiraling prescription drug costs.

Some of Consumers Union’s most serious concerns about S.1 are:

- The amount set aside in the Congressional budget resolution for a Medicare prescription drug bill, \$400 billion over 10 years, is inadequate for the task and limits coverage to 22 percent of the projected prescription drug expenditures over this time period;
- Prescription drug coverage provided by S. 1 is skimpy, leaving many beneficiaries who lack coverage in 2003 actually paying more out of their own pockets for prescription drugs in 2007, when they have coverage. (For more information, please see our report, *Skimpy Benefits and Unchecked Expenditures: Medicare Prescription Drug Bills Fail to Offer Adequate Protection for Seniors and People with Disabilities*, at www.consumersunion.org);
- The bill lacks a standard, uniform benefit, does not guarantee the availability of a prescription drug benefit through the Medicare program, and leaves all beneficiaries uncertain about what coverage will be available to them (and uncertain about the premium they will be charged);
- While the Senate has approved helpful amendments that would accelerate the introduction of generics and possibly provide beneficiaries access to lower-priced drugs from Canada, the bill’s reliance on hundreds of private insurance companies and HMOs precludes the possibility of the federal government using its purchasing power to negotiate deep discounts for consumers. It does too little, therefore, to rein in spiraling prescription drug expenditures;
- The bill creates confusion for Medicare beneficiaries, forcing them to sort out the options in the drug-only marketplace and options in the HMO/PPO marketplace, and it further complicates the “comparison shopping” task by allowing the prescription drug benefits to vary from the basic parameters (e.g., deductible, cost-sharing, doughnut, catastrophic coverage). Simply-put, the confusing options that will face Medicare beneficiaries flunks the “kitchen table” test;
- S. 1 will leave many Medicare beneficiaries worse off since employers will cut back their retiree coverage because any coverage is not counted toward retirees’ out-of-pocket costs; and
- While the bill provides for a relatively generous subsidy for low-income consumers, it requires them to get their prescription drug benefit through Medicaid instead of the

currently universal Medicare program, even though they qualify for Medicare coverage by virtue of their age or disability.

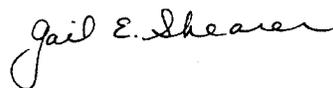
We are deeply troubled by discussions that are underway that would undermine the traditional fee-for-service Medicare program – the very program that assures beneficiaries that they have the freedom to go to the doctor of their choice – by providing extra subsidization to private PPOs and HMOs. By enriching the benefits available in the private marketplace, PPOs and HMOs will attract relatively healthy people; the traditional fee-for-service Medicare option will erode over time, because of the design of the subsidies and desire to cut costs. The sickest and most vulnerable will be severely disadvantaged.

There are several amendments that would help address some of the problems with S. 1. We urge you to support amendments that would:

- Expand the prescription drug benefits so that they are comparable to prescription drug coverage in employer-based health insurance plans;
- Rein in prescription drug expenditures through the use of the federal government's buying power to negotiate deep discounts;
- Provide for scientific study of the comparative effectiveness of alternative prescription drugs;
- Guarantee that beneficiaries would have access to a prescription drug benefit through the Medicare program at a set premium;
- Count the contributions made by employers toward beneficiaries' out-of-pocket costs;
- Maintain a level-playing field so that benefits in PPOs and HMOs are not more generous than benefits available in traditional fee-for-service Medicare.
- Instruct the National Association of Insurance Commissioners to adjust medigap benefit packages to allow beneficiaries to buy additional coverage;
- Increase the transparency of transactions by pharmaceutical benefit managers;
- Cut the time before the prescription drug benefits begin.

The current debate about a Medicare prescription drug benefit has led seniors and persons with disabilities to believe that relief is in sight. In its present form, S. 1 will be a big disappointment to beneficiaries when it is implemented in 2006. We urge you to amend S. 1 so that it is more effective in providing meaningful relief to Medicare beneficiaries while addressing the pressing need to curb prescription drug expenditures.

Sincerely,



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