

THE PRESIDENT'S DRUG PLAN: THE WRONG PRESCRIPTION FOR SENIORS

The President claims to have retreated from his initial proposal to require beneficiaries to leave the traditional Medicare program to obtain any drug coverage. The changes are a fig leaf - in fact, his "new" proposal is not substantively different from his old plan. It would offer only catastrophic coverage for those who remain in traditional Medicare (e.g., starting at \$6,000). This year, just 8% of beneficiaries have drug costs above \$6,000. The remaining 92% of beneficiaries would have to leave traditional Medicare and join private plans to get even meager drug coverage.

The President's "reform" proposal is nothing but an attempt to privatize Medicare. Approximately 89% of Medicare beneficiaries - more than 35 million seniors and disabled Americans - are in traditional Medicare. The President would force these beneficiaries to choose between the doctors they know and trust and the medications they know they need.

Privatization didn't work in 1965 and it won't work now. Medicare was originally created because private insurers wouldn't provide affordable coverage to seniors. Recent history with the Medicare+Choice program shows they are no more willing to do so today.

The President's \$400 billion is woefully inadequate. CBO estimates that Medicare beneficiaries will spend more than \$1.8 trillion on prescription drugs between 2004-2013. Even if every dollar of the President's proposal went toward prescription drug coverage, the plan would cover just 22% of beneficiaries' medication needs.

The President's proposal would leave huge gaps in coverage. To fit within his arbitrary budget number, beneficiaries will be forced to face a gap in coverage and spend thousands of dollars just when they need help most. Press accounts have suggested that there is no limit on out-of-pocket spending (e.g., even under catastrophic coverage, seniors would pay 10% of costs).

The President claims to offer seniors coverage like Members of Congress receive. In fact, his plan will fall far short. Compared to federal employees' coverage, the President's plan is worse on all counts. It would require seniors to pay higher premiums, deductible, co-insurance, and out-of-pocket costs. It would also leave seniors with a significant gap in coverage. CRS estimates the value of the President's proposal (based on press reports as of 1/27/03) to be well under half of what Members of Congress get.

Medicare Prescription Drug Benefit: President Bush v. Democratic Proposal

Plan Element	President's 2003 Proposal (Based on Public Reports as of 2/28/03)	House Democratic Bill (108 th Congress)
Guaranteed Minimum Benefit for All Beneficiaries	<u>NO</u> Beneficiaries must leave traditional Medicare and join private plans, which may not participate and can offer vastly different benefits and premiums. Those who remain in traditional Medicare <i>may</i> receive coverage for catastrophic drug coverage (e.g., over \$6,000).	<u>YES</u> Medicare covers prescription drugs like other Medicare benefits, with guaranteed benefits, premiums, and cost sharing for all beneficiaries who wish to participate.
Guaranteed Fair Drug Prices	<u>NO</u> Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing the program's group negotiating power.	<u>YES</u> The Secretary of HHS uses the collective bargaining clout of all 40 million Medicare beneficiaries to negotiate fair drug prices. These reduced prices will be passed on to beneficiaries.
Premium	Not specified. Last year, CBO estimated similar House GOP proposal at \$34/month, \$408/year¹	Specified in statute. \$25/month, \$300/year
Deductible	? (\$275/year?) ¹	\$100/year
Co-insurance	? (50% for first \$3,050 100% for all remaining spending up to the "out-of-pocket" maximum?) ¹	20%
Out-of-Pocket Maximum	N/A. Beneficiaries <u>must pay 10% coinsurance</u> even after they spend \$5,500/year ¹	Beneficiaries <u>pay nothing</u> after they spend \$2,000/year
Coverage Gaps	<u>YES</u> Beneficiaries who need more than \$3,050 worth of drugs must pay 100% out-of-pocket (and keep paying premiums) until they spend \$5,500 out-of-pocket -- a gap of \$3,838/year. ¹	<u>NO</u> Beneficiaries always have coverage, with no gaps.
Access to Local Pharmacies	<u>LIMITED</u> Private insurers have incentives to limit which pharmacies participate in their network.	<u>BROAD</u> Any willing pharmacy must be included in the network.
Access to Prescribed Medicines	<u>LIMITED</u> Private insurers have incentives to establish strict formularies and deny any coverage for off-formulary drugs.	<u>BROAD</u> Beneficiaries have coverage for any drug their doctor prescribes.
Low-Income Protections	<u>WEAK</u> Based on prior GOP proposals, no protections for up to 40% of low-income beneficiaries due to imposition of so-called "assets test."	<u>STRONG</u> No cost sharing or premiums up to 150% of poverty; sliding scale premiums between 150% and 175% of poverty. Assets test is waived.

¹ Details as of 1/27/03. Cost sharing amounts shown are benchmarks only. Actual cost sharing amounts will vary depending on the private plan the beneficiary chooses (assuming one is available).