

Congress of the United States

Washington, DC 20510

May 21, 2004

The Honorable Tommy Thompson
Secretary
U.S. Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

Dear Secretary Thompson:

We are writing to highlight our interest in the Program of All-inclusive Care for the Elderly (PACE). We wish to ensure that the distinctive, positive aspects of the PACE program's structure and administration are appropriately recognized and preserved in the implementation of the new Medicare law.

PACE originated as a Congressionally-authorized demonstration program, ultimately becoming a permanent provider under both Medicare and Medicaid. PACE organizations only serve a targeted subset of the Medicare population – individuals age 55 and over certified by their state as eligible for nursing home care. Since its inception, PACE providers have provided comprehensive prescription drug coverage to all their enrollees, fully integrating drug coverage with a comprehensive range of preventive, primary, acute and long-term care services. PACE organizations are at full financial risk for the full range of Medicare and Medicaid covered services they provide.

The new Part D benefit would impact the PACE program uniquely as a consequence of its long history of providing comprehensive drug coverage and the characteristics of the population enrolled in the program. To the greatest extent possible, we want to ensure: 1) continuity in PACE organizations' methods of prescribing and providing covered outpatient drugs, and 2) appropriate payment to PACE organizations for coverage of the Part D benefit.

To that end, in developing the implementing regulation for the Part D benefit we encourage you to: 1) identify those issues that may require clarification relative to how the Medicare Part D benefit will be administered by PACE organizations; and 2) clarify the interaction between the new law, and the enabling PACE statutes and regulations.

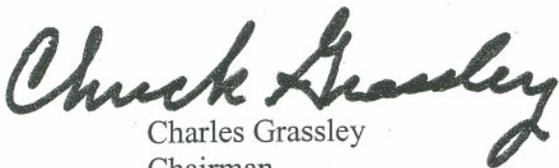
We believe that §1860D-21(f) of the Medicare drug statute affords you the discretion necessary to address in regulation appropriate application of the Part D benefit to PACE. We believe that any technical issues not specifically addressed in the statute can be addressed in the development of regulations so as to ensure that the transition to

the new Medicare prescription drug benefit is not disruptive to PACE organizations and their enrollees.

Congress has always recognized the uniqueness of the PACE program. In that regard, our assumption with respect to the recently enacted law was that the distinctive, positive aspects of the PACE program's structure and administration would be appropriately recognized and accounted for during implementation.

We hope you share our concerns and look forward to your reply.

Sincerely,



Charles Grassley
Chairman
Committee on Finance
U.S. Senate



Max Baucus
Ranking Member
Committee on Finance
U.S. Senate



William Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives



Charles Rangel
Ranking Member
Committee on Ways and Means
U.S. House of Representatives



Joe Barton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives



John Dingell
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives