

Historic Medicare bill adds drug benefit, more private competition

Copyright. InsuranceTimes™ © 2003 by M&S Communications, Inc. All rights reserved. December 9, 2003

by David Espo
Associated Press

WASHINGTON — The Republican-controlled Congress has sent President Bush historic Medicare legislation combining a new prescription drug benefit with measures to control costs before the baby boom generation reaches retirement age.

Bush is expected to sign the bill, then trumpet its enactment during his bid for re-election next year.

"Because of the actions of the Congress, the actions of members of both political parties, the Medicare system will be modern and it will be strong," he said in Las Vegas shortly after lawmakers broke years of gridlock on the issue.

But within hours of a 54-44 Senate vote, Senate Democratic leader Tom Daschle introduced legislation to repeal several of the bill's most controversial provisions and to allow the importation of lower-priced prescription drugs from Canada and Western Europe. "This debate is not over, it's just beginning," said the South Dakota Democrat.

Apart from a new prescription drug benefit, the legislation invites private firms to sell coverage to 40 million Medicare beneficiaries.

The complexity of the 681-page, \$395 billion measure — and the two-year delay in implementing drug coverage — have made it subject to competing claims and uncertain estimates.

For seniors obtaining drug coverage through a stand-alone plan in 2006, for example, officials estimate a benefit with a \$35 monthly premium and a \$250 annual deductible, followed by 75 percent coverage up to \$2,250 in costs. There would be a break in coverage over that level until costs reached \$5,100 — a gap of \$2,850 — before benefits resumed and began paying 95 percent of remaining costs.

But an official forecast by Congress' budget experts envisioned a steady increase in premiums and deductibles as well as a widening of the coverage gap in the following years, with insurance payments growing as well. By 2013, according to the estimates, the monthly premium would be \$58, the deductible would reach \$445 and the beneficiary would be required to pay all costs between \$4,000 and \$9,066 before coverage resumed.

Seniors who choose a new private health plan, either an HMO or preferred provider organization, would receive drug coverage as part of a combined benefit.

The legislation was an attempt to balance competing interests in a Congress sharply divided along party lines. On one side, the measure includes a costly new prescription drug benefit for 40 million Medicare beneficiaries, with subsidies for low-income seniors and billions of dollars to discourage corporations from dropping existing coverage for their retirees. Also included is \$25 billion in additional funding for rural hospitals and other providers.

At the same time, the bill reflects the eagerness of many conservatives to give seniors the option of private insurance coverage, a step they argued could lead to more modern and efficient health care coverage. Still other changes are aimed at controlling costs.

With the first members of the baby boom generation due to reach Medicare eligibility age in 2011, several lawmakers argued that fundamental changes were required to maintain the program's finances. By 2029, according to Census Bureau figures, all 78 million baby boomers will be age 65 or over.

For the first time, seniors earning more than \$80,000 a year would be required to pay higher premiums than other beneficiaries for their Part B Medicare coverage. Part B covers doctor visits and other out-of-hospital services.

Another provision would increase the annual deductible for Part B coverage from \$100 to \$110 in 2005, and tie future increases to the growth in overall non-hospital spending under Medicare.

Conservatives, in particular, pointed to a series of other changes in the legislation that they said would curtail costs over the longer term — and each of them drew sharp criticism from Democrats.

One would require the president to recommend changes in the program if spending exceeded predetermined levels. The legislation includes rules designed to guarantee votes on the House floor on alternatives as diverse as cutting benefits or raising taxes. The same rules are designed to prod the Senate to act, but do not guarantee a vote.

The bill's most controversial feature would begin a limited program of competition beginning in 2010 between traditional Medicare and the new private plans. Conservatives who support the provision argue it would help hold down costs. Democratic critics, backed by estimates produced by the Medicare program's actuaries, argue it would lead to increased premiums for seniors who remain in the traditional benefit program.

Some of the Republicans who voted for the bill sought assurances in advance from the administration that cities in their states would not be chosen for the competition.

The House approved the bill on a vote of 220-215. In the Senate, 42 Republicans, 11 Democrats and one independent voted for the bill, while 35 Democrats and nine Republicans opposed it. □