



CONGRESSMAN JOHN W. OLVER  
*Serving Western & Central Massachusetts*

# Prescription Drugs/Medicare Update

AUGUST 2003

## Final Chapter in the Debate Over Prescription Drugs Approaching?



First Congressional District

After many years of Congress debating a Medicare prescription drug benefit, both the House and Senate have recently passed different versions of legislation to create such a benefit. As a House-Senate conference committee attempts to agree on a final bill, I want to provide you with an update on the proposed plans.

I have held several key considerations prominently in mind when considering how prescription drug proposals will affect seniors in the First Congressional District.

First and foremost, I am most concerned about the availability of Medicare prescription drug plans in western and central Massachusetts. Private insurers have abandoned our region for more urban areas where bigger profits can be made. In my view, changes to Medicare should ensure access to a prescription drug benefit in rural and less densely populated areas.

In addition, Congress can potentially cut the price of prescription drugs in half for all seniors

by implementing cost-savings measures. We should:

- ◆ Make generics more readily available by closing loopholes in patent law that keep generic drugs from entering the market more quickly;
- ◆ Formally legalize importation of prescriptions from other countries (see chart below); and
- ◆ Allow Medicare to purchase prescription drugs in bulk, so lower prices can be negotiated.



Finally, we absolutely must maintain the Medicare safety net by preserving the present Medicare fee-for-service system. **A new prescription drug benefit should work within the current Medicare system.** Providing a straightforward and easily understandable benefit is essential to improving seniors' access to needed prescription medicines.

### U.S. vs. Canadian Rx Drug Prices

Prescription drugs, including those manufactured in the U.S., are cheaper in Canada, largely because the Canadian government regulates pharmaceutical prices to keep them affordable.

Prices recorded in April 2003

Drug Name	Prescribed For	Common Dosage	U.S. Price	Canadian Price
Celebrex	Arthritis Relief	200 mg/ 20 capsules	\$85.99	\$44.76
Glucophage	Diabetes Millitus	500 mg/ 90 tablets	\$69.99	\$30.16
Lipitor	High cholesterol levels	20 mg/ 30 tablets	\$107.99	\$64.21
Plavix	Reducing risk of stroke	75 mg/ 60 tablets	\$227.98	\$132.26
Pravachol	High cholesterol levels	20 mg/ 30 tablets	\$90.99	\$57.43
Prilosec	Heartburn	20 mg/ 30 pills	\$134.99	\$67.71
Synthroid	Hypothyroidism	.05 mg/ 100 tablets	\$39.09	\$17.82
Tamoxifen	Breast Cancer	10 mg/ 180 tablets	\$340.77	\$39.19
Vioux	Arthritis & menstrual pain	25 mg/ 30 tablets	\$90.99	\$44.16
Zocor	High cholesterol levels	20 mg/ 30 tablets	\$129.99	\$67.72

Compiled by Alliance for Retired Americans

# THE HOUSE PLAN

**O**n June 27, 2003, the House passed H.R. 1, the Medicare Prescription Drug and Modernization Act, by a vote of 216-215. **I voted against this bill because I believe it is an inadequate proposal that will only serve seniors who have relatively minor health problems.**

H.R. 1 would provide prescription drug coverage through private insurance companies in two different ways. Medicare beneficiaries could purchase a prescription-only benefit through a government-contracted private insurer OR Medicare beneficiaries could purchase a more comprehensive Health Maintenance Organization (HMO) health plan that includes a prescription drug benefit.

## **The standard benefit under the House-passed plan is as follows:**

- ▲ Monthly premium estimated at \$35, although it could be a lot higher as private insurance companies will determine the amount
- ▲ \$250 annual deductible (i.e. beneficiary pays the first \$250)
- ▲ 20% co-payment for prescription drug costs between \$250 and \$2,000
- ▲ Beneficiary pays full amount when annual drug costs are between \$2,000 and \$4,900
- ▲ Drug costs are covered in full by Medicare after annual costs go above \$4,900
- ▲ (Under the House plan, the Medicare system is forbidden from negotiating lower drug prices through bulk purchasing!)

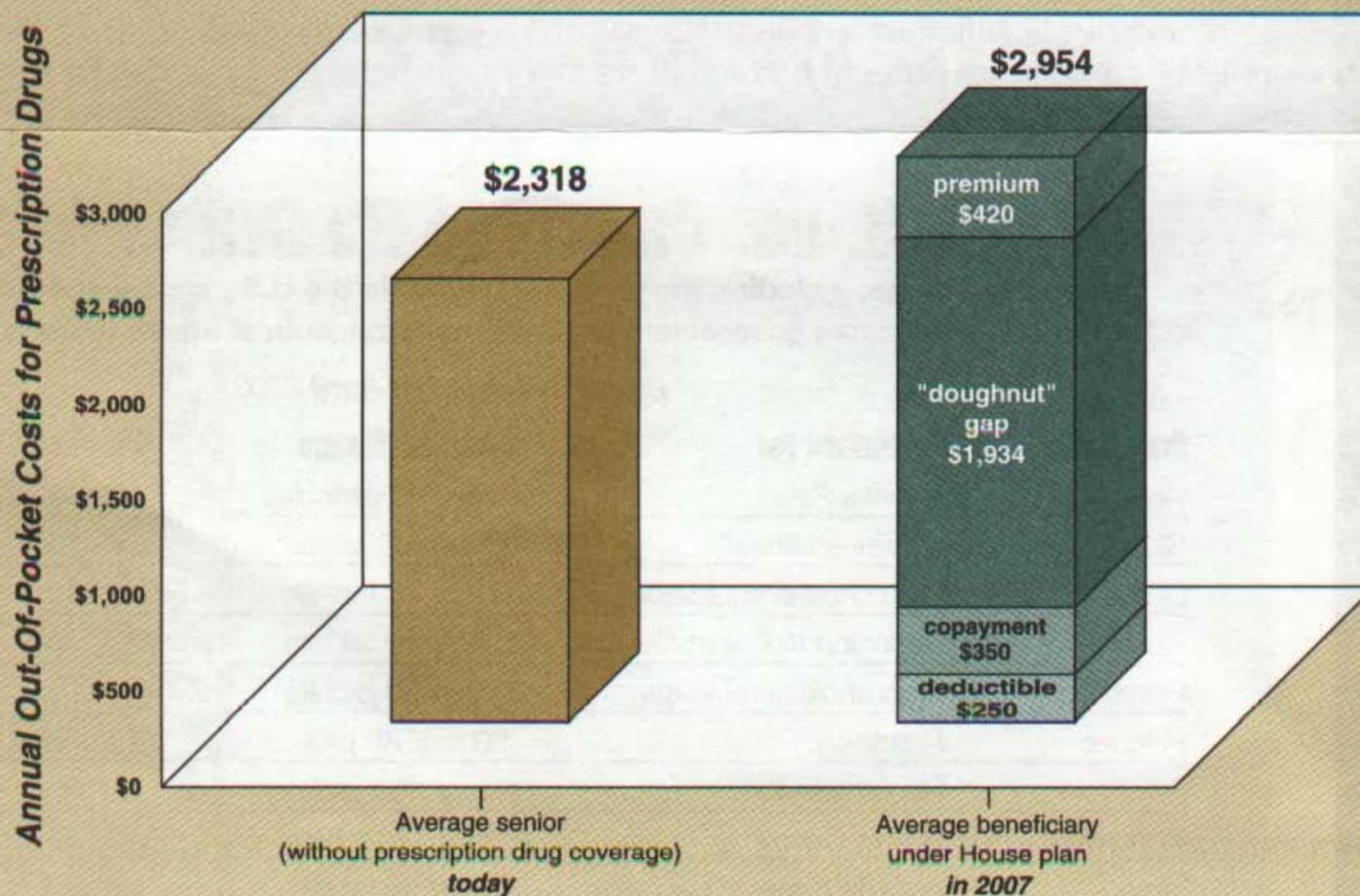
### **Did You Know?**

*By 2013, Medicare beneficiaries' spending on prescription drugs is projected to increase by nearly 300%.*

*Source: Alliance for Retired Americans*

Under the legislation, by 2006 the House plan would be instituted nationwide. In 2010, Medicare would be overhauled by doing away with the current fee-for-service program in order to run Medicare like a "closed network" HMO – thereby eliminating seniors' ability to choose their own doctor.

## **Out-Of-Pocket Costs Increase Under House Plan**



Source: Consumers Union, Washington Office

# Negative Reviews of the House and Senate Plans

The following are excerpts from a Consumers Union\* news release.

\*Consumers Union is the independent, nonprofit publisher of Consumer Reports magazine.

## From "10 of the Reasons the House-Passed Bill is Bad for Consumers":

"The bill relies on participation of a reluctant private insurance industry to provide drug coverage for those remaining in traditional Medicare: there is no assurance that they will want to participate."

"There will be total confusion: If private insurance companies do participate, they will be allowed to vary the benefits."

"Ultimately, traditional Medicare will be undermined and may even be forced from existence."

## From "10 Worst Things about the Senate Medicare Prescription Drug Bill":

"The bill lacks a Medicare option for all beneficiaries; they are at the mercy of a reluctant private insurance industry."

"The bill does not guarantee that prescription drug coverage will be affordable and comprehensive."

"Employers are likely to CUT retiree benefits: millions will have LESS coverage than they have today."

### Also Quotable:

"The pharmaceutical and insurance companies are the big winners with these bills; seniors are the losers."

-Alliance for Retired Americans

News statement by Gail Shearer,

Director of Health Policy Analysis of Consumers Union,  
Washington Office - June 27, 2003.

## The Bottom Line

**B**ecause of the problems with the House- and Senate-passed plans, I will use my voice and vote in Congress to continue to push for gap-free, guaranteed low-priced coverage of prescription drugs through a simple option offered within the existing Medicare system.

No plan will qualify for my support unless it employs a combination of cost-cutting mechanisms to ensure that American drug companies don't charge American seniors more for drugs than they charge the citizens of other countries.

Visit me on the web: [www.house.gov/olver](http://www.house.gov/olver)

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# THE SENATE PLAN

The Senate passed their version of a Medicare prescription drug bill, S.1, the Prescription Drug and Medicare Improvement Act, on June 27, 2003 by a vote of 76-21.

Like the House bill, the Senate's legislation would provide prescription drug benefits by contracting with private insurance companies. Medicare beneficiaries could choose between a prescription-only benefit and a more comprehensive policy that would cover their health care needs. In rural areas, where private insurers may not be interested in providing a prescription drug benefit, one would be offered directly through Medicare.

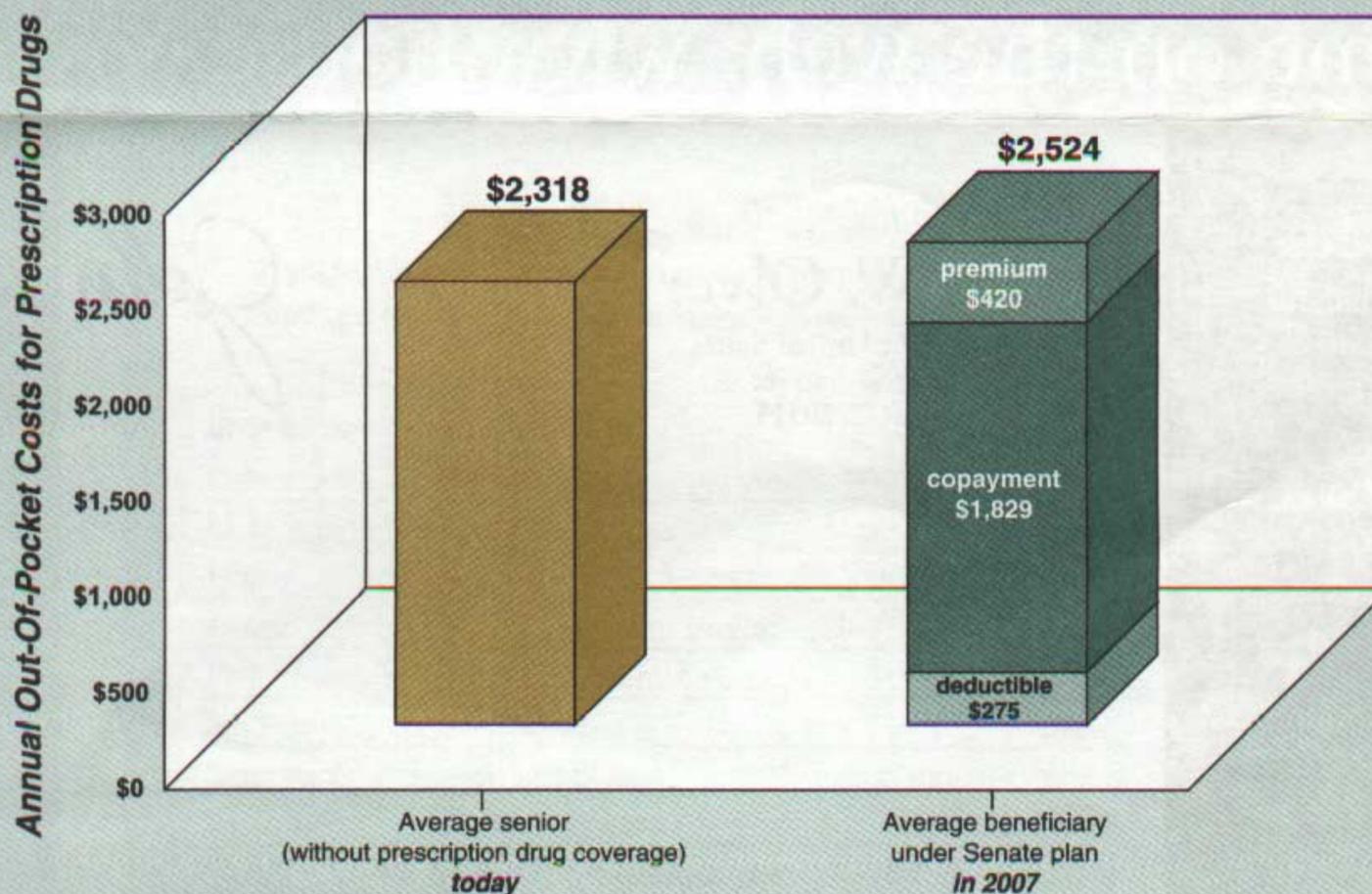
## **Standard coverage under the Senate-passed bill includes:**

- ▲ Monthly premium estimated at \$35, although it could be a lot higher as private insurance companies will determine the amount
- ▲ \$275 annual deductible (i.e. the beneficiary pays the first \$275)
- ▲ 50% co-payment for annual prescription drug costs between \$275 and \$4,500
- ▲ Beneficiary pays full amount when the drug costs are between \$4,500 and \$5,813
- ▲ 10% co-payment for costs after annual drug costs go above \$5,813
- ▲ (As with the House plan, the Senate plan forbids the Medicare system from negotiating lower drug prices through bulk purchasing!)

The Senate's prescription drug plan would be available to Medicare beneficiaries starting January 1, 2006.

**Confused?**  
*You're not alone. See my "Bottom Line" next page.*

## **Out-Of-Pocket Costs Increase Under Senate Plan**



Source: Consumers Union, Washington Office