

Tuesday, November 25, 2003

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**Background  
Information**  
from  
**Congressman  
Joe Pitts**



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## **H.R. 1, Medicare Prescription Drug and Modernization Act of 2003**

*Early in the morning on Saturday, November 22, 2003, the House passed the Conference report to H.R. 1 the Medicare Prescription Drug and Modernization Act of 2003 by a vote of 220 to 215.*

*Congressman Pitts voted in favor of the bill.*

*The Senate followed suit, approving the conference report by a vote of 54 to 44 on Tuesday, November 25, 2003.*

### **■ Medicare Plan Basic Elements**

#### Immediate Savings Through Prescription Drug Discount Card:

- Available within six months of becoming law for 2004-2005.
- Swipe card used at point-of-purchase for upfront discounts.
- Provides significant, immediate savings up to 25% off what seniors currently are paying according to HHS.

#### Universally Available Prescription Drug Benefit:

- Guaranteed Benefit begins in 2006.
- Voluntary, so seniors can choose to participate if they want.
- Option available for seniors to simply add drug coverage to traditional fee-for-service Medicare without any loss of current benefits.
- \$35 monthly premium, \$250 annual deductible.
- Medicare pays 75% of drug costs up to \$2,250.
- Catastrophic Coverage guarantees Medicare pays 95% of drug costs over \$3,600 a year.
- Provides significant savings up to 50% off of what seniors without coverage are currently paying today according to HHS.

#### Low-Income Assistance to Help Neediest Senior Citizens:

- Comprehensive coverage for low-income single seniors with annual income under \$12,900 and low-income senior couples under \$16,600.
- In 2004-2005, \$600 annual subsidy combined with Rx Discount Card savings to help cover out-of-pocket costs.

- Beginning in 2006, Comprehensive Pharmaceutical Coverage will be offered, with no gap, for \$2 generic and \$5 name-brand prescription co-payment.

Preventive Care & Disease Management:

- Free “Welcome to Medicare” physical exam to learn upfront a senior’s health status and future care needs.
- New cholesterol and blood lipid screenings added to basic benefits.
- New disease management programs to keep seniors healthy.

Health Savings Accounts:

- Allow individuals to set aside tax-free savings for lifetime health care needs.
- Savings are portable, from job-to-job and into retirement.
- Contributions can be made by individuals, employers and family members
- Allow annual tax deductible contributions of up to \$2,600 for singles and \$5,150 for families.
- Individuals age 55 and older can make catch-up contributions of up to \$1,000.
- Savings can be used for qualified medical expenses, including retiree health insurance premiums, Medicare expenses, prescription drugs, long-term care services and insurance.

## ■ **Impact of Prescription Drug Provisions on Pennsylvania**

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- The Bipartisan Agreement provides all of the 2,123,020 beneficiaries in Pennsylvania with access to a Medicare prescription drug benefit – for the first time in the history of the Medicare program – beginning in January 2006.
- Beginning in 2006, the Bipartisan Agreement will give 558,490 Medicare beneficiaries in Pennsylvania access to drug coverage they would not otherwise have and will improve coverage for many more.
- Within six months after the bill is signed, Pennsylvania residents will be eligible for Medicare-approved prescription drug discount cards, which will provide them with savings of between 10 and 25 percent off the retail price of most drugs.
- Beneficiaries with incomes of less than \$12,123 (\$16,362 for couples) who lack prescription drug coverage (including drug coverage under Medicaid) will get up to \$600 in annual assistance to help them afford their medicines, along with the discount card. That’s a total of \$486,682,698 in additional help for 405,569 Pennsylvania residents in 2004 and 2005.
- Beginning in 2006, all 2,123,020 Medicare beneficiaries living in Pennsylvania will be eligible to get prescription drug coverage through a Medicare-approved plan. In exchange for a monthly premium of about \$35, seniors who are now paying the full retail price for prescription drugs will be able to cut their drug costs roughly in half. In many cases, they’ll save more than 50 percent on what they pay for their prescription medicines.

- 594,562 beneficiaries in Pennsylvania who have limited savings and low incomes (generally below \$12,123 for individuals and \$16,232 for couples) will qualify for even more generous coverage. They will pay no premium for their prescription drug coverage, and they will be responsible for a nominal co-payment (no more than \$2 for generic drugs or \$5 for brand name drugs).
- 167,781 additional low-income beneficiaries in Pennsylvania with limited savings and incomes below \$13,470 for individuals and \$18,180 for couples will qualify for reduced premiums, lower deductibles and coinsurance, and no gaps in coverage.
- Additionally, Medicare, instead of Medicaid, will now assume the prescription drug costs of 255,476 Pennsylvania beneficiaries who are eligible for both Medicare and Medicaid. This will save Pennsylvania over \$1.2 billion over 8 years on prescription drug coverage for its Medicaid population.

## ■ Reform elements of the plan

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### Health Savings Accounts:

- Dramatic shift toward a private-payer health care system by allowing all Americans—regardless of income level—to accumulate health dollars tax-free.
- Allow individuals control over their own health care dollars in order to make better medical choices and hold down skyrocketing health care costs.
- Contributions are pre-tax and made by individuals, employers and families.
- Allow annual tax-deductible contributions up to \$2,500 for singles and \$5,050 for families. Those 55 and older can make catch-up contributions up to \$1,000.
- Tax-free savings/interest are portable, from job-to-job and into retirement.
- Money saved can be carried forward year to year to pay for qualified health expenses over one's lifetime, such as insurance premiums and deductibles, prescription drugs, as well as long-term care services and insurance.

### Preventive Care & Disease Management:

- Health care has advanced significantly since Medicare was created in 1965, and life-saving drugs cost-effectively treat patients thru preventive care and disease management.
- This package switches the focus of Medicare from *reactive* disease treatment to *proactive* disease prevention.
- 21<sup>st</sup>-Century medicine can prevent, preempt and predict illnesses through advanced screenings and innovative tests.
- Example: under the plan, a senior with diabetes will be more likely to keep the illness—and the costs associated with it—under control by taking Glucophage (monthly cost of about \$30) rather than waiting for a renal kidney failure hospitalization (cost: \$6,700).
- Prescription drugs help save the lives of seniors and control costs in Medicare system.

*More Choices for Cost-Effective, Free-Market Health Care Delivery:*

- With the bipartisan package, Medicare beneficiaries have the *right to choose the health care plan* that's best for them: traditional fee-for-service, managed care or preferred provider organizations. Major step so Baby Boomers have choices and a cost-effective Medicare in 21<sup>st</sup> Century.
- Seniors who receive and enjoy employer coverage can chose to continue to receive such benefits.
- The package provides *\$18 billion of tax relief incentives to employers* so they maintain coverage.

*Controls Costs through Dynamic Reforms:*

- *Means Testing Medicare Part B Premium* requires those with higher incomes (singles/above \$80,000 & couples/above \$160,000) to pay higher premiums. This is the first time the cost-containing principle of means testing would be included in Medicare.
- *Part B Deductible Indexed to Inflation* after being increased to \$110 in 2005. Another first for Medicare to help reduce government expenditures.
- *Premium Support Demonstration Project* requires traditional Medicare to compete with private plans in six Metropolitan Statistical Areas.
- Relies on *Free-Market Competition & Consumer Choice* to deliver a Medicare drug benefit beginning in 2006, with consumers paying more out-of-pocket if they choose more expensive coverage. Another Medicare first and a model for future reform.
- *Cost Containment* requires Presidential and Congressional action if general revenue contributions to Medicare exceed 45% of program spending. Importantly, this is a permanent cap and covers new benefits or expansions added in the future by the President or Congress.

*SOURCES: House Republican Conference, House Committee on Ways and Means, Centers for Medicare and Medicaid Services.*