

# The President Promotes New Medicare Prescription Drug Benefit

Annotations to the White House "Fact" Sheet

provided by the Democratic staff of the Committee on Ways and Means

June 17, 2005

## Today's Presidential Action

Today, President Bush Delivered Remarks At The Department Of Health And Human Services To Inform Medicare Beneficiaries About The New Prescription Drug Benefit Available To Them Beginning In January 2006.

- **The President Is Kicking Off A National Outreach Effort.** This campaign will bring medical, community, and local partners together with the Federal government to educate seniors and Americans with disabilities about the new prescription drug benefit. All beneficiaries will receive a new handbook, "Medicare and You," in October, containing specific information about the new prescription drug plans available. Those with questions can also call 1-800-MEDICARE or visit [www.medicare.gov](http://www.medicare.gov) for answers.
- **Millions Of Americans Are Already Taking Part In Medicare's Expanded Range Of Health Care Services.** Medicare offers a variety of new programs, including: a prescription drug discount card; preventive care like the "Welcome to Medicare" physical; and cardiovascular and blood sugar screening that can help identify and prevent obesity, diabetes, high blood pressure, and heart disease. *Staff comments: Discount card terminates at the end of this year; the new preventive benefits mentioned here are the ONLY new preventive benefits (not illustrative examples as the text implies).*

## Background: President Bush Wants Seniors And Americans With Disabilities To Know About New Medicare Benefits

**New Medicare Coverage Will Help All Medicare Beneficiaries Pay For Prescription Drugs.**

- **Everyone On Medicare Can Get Help, No Matter How They Pay For Their Drugs.** Medicare will provide an average of more than \$1,300 in federal help to each beneficiary. *Staff comments: \$1300 represents the average benefit, but "each" beneficiary will not receive that level of assistance. Ten percent of beneficiaries have no drug spending at all. Many more have below average spending.*
- **Medicare Will Provide Extra Help To Beneficiaries With High Prescription Costs.** Starting in January, Medicare also will cover 95 percent of all prescription costs once beneficiaries spend \$3,600 of their own money each year. *Staff comments: Fewer than one in five beneficiaries have spending that would qualify for this level of assistance. More importantly, this description glosses over the "doughnut" hole that precedes the catastrophic coverage, and it excludes new Part D premiums (estimated to average \$450/year). The standard benefit under Part D is as follows:*

*Total drug spending in 2006 (NOTE: All dollar amounts will increase in future years)*

<i>\$250 deductible</i>	<i>Beneficiary pays 100% (\$250)</i>
<i>\$251-\$2250</i>	<i>Beneficiary pays 25% (\$500)</i>
<i>\$2250 - \$5100</i>	<i>"Doughnut" hole or gap; beneficiary pays 100% (\$2850)</i>
<i>&gt;\$5100</i>	<i>At this point, the beneficiary has paid \$3600 (250+500+2850), plus premiums; beneficiary pays 5% or co-payments of up to \$5, whichever is greater</i>

*Under the standard benefit, the average person will run out of coverage in August of 2006, but still be required to pay premiums for the rest of the year (because they don't spend enough to trigger the catastrophic coverage).*

## **New Medicare Coverage Will Offer Everyone On Medicare Better Choices.**

- **Medicare Advantage Plans Allow Seniors And Americans With Disabilities To Choose Their Plans And Get Better Drug Benefits.** Seniors and Americans with disabilities who enroll in Medicare Advantage Plans can choose the plan that works best for their needs and lifestyle, and will save an average of \$100 each month over traditional Medicare. *Staff comments: The choices that matter most to beneficiaries are the freedom to choose their doctors and hospitals, as is the case under the traditional Medicare. This is a clear example of the Administration's attempt to privatize Medicare by bribing beneficiaries into HMOs and private plans. In addition, we have seen no data to support their claim (though it is not necessarily surprising, given the tens of billions of dollars in overpayments to HMOs and private plans).*
- **Medicare Drug Benefits Offer Choice And Flexibility.** Everyone on Medicare will be able to choose brand name drugs or generic drugs – and pick them up at local pharmacies or receive them by mail. *Staff comments: But the real question is whether you will continue to have access to the specific drugs you take today. Covered drugs will vary from plan to plan, and beneficiaries will likely have to pay more to have access to a broader array of drugs. Plans have "flexibility" to change which drugs are covered throughout the year, but most beneficiaries are locked into their plan for the entire year.*
- **Seniors Can Keep Retiree Plans If They Wish.** Seniors with good retiree drug coverage from a former employer or union can choose to keep those benefits and count on Medicare to help them save on premiums, or join a Medicare prescription drug plan. *Staff comments: The employer is really the one with a choice to make, and the Administration's actuaries and CBO both predict that many employers will "choose" to drop coverage, meaning about 3 million beneficiaries will lose their retiree coverage as a result of this bill. Many more will see their coverage reduced even as employers take advantage of the new subsidies.*

## **New Medicare Coverage Will Provide Extra Help To Beneficiaries With Limited Income And Resources.**

- **Medicare Will Pay Nearly All Of Low-Income Beneficiaries' Drug Bills.** About one-third of seniors will be eligible for a Medicare drug benefit without premiums, deductibles, or gaps in coverage. *Staff comments: Not true. This number includes 1.5 million beneficiaries with incomes between 135-150% of the poverty level who will be subject to a deductible and premiums. Co-payments will amount to no more than \$5 for most people, and more than 95 percent of their drug bills will be covered. Staff comments: If you qualify for full premium assistance, your "choice" is limited to plans with average or below average premiums. Those plans will likely have more restrictive formularies (fewer "preferred" drugs), and millions of low-income people will be enrolled in plans that don't cover the drugs they need. Approximately 6.5 million are the poorest, most vulnerable beneficiaries who currently get comprehensive drug coverage through Medicaid. These so-called "dual eligibles" will pay more and get less under the new private plans. Adding insult to injury, co-payments will increase each year.*
- **Eligibility Forms Are Available Now.** Millions of current Medicaid beneficiaries will be automatically enrolled, and subsidy applications have been mailed to many low-income seniors and Americans with disabilities who are likely to be eligible. Forms are also available at locations around the country, including over 30,000 pharmacies. No financial documents or complicated records are required. *Staff comments: Notwithstanding our concerns about the inadequacies and other flaws of this law, people who are eligible for the low-income subsidies should take advantage of the help. But they should choose carefully, and care must be taken to help them understand that it is a two-step process -- applying for the subsidy and choosing a plan.*
- **Medicare Is A Critical Safety Net For Americans With Disabilities.** Millions of Americans with developmental and physical disabilities, mental illness, and HIV/AIDS count on Medicare, and new Medicare coverage brings modern medicine to them. *Staff comments: This law actually undermines the traditional Medicare program, which preserves access to a broad array of specialists and is the most important protection for beneficiaries with developmental and physical disabilities, mental illness, HIV/AIDS and other chronic conditions.*