

Legislative Update:

‘Fixing Medicare’

Coverage for prescription drugs for Seniors and Medicare reform have been focal points for the Bush Administration in 2003. In June, the House and Senate took decisive steps in creating the biggest single expansion of Medicare since 1965. Both have passed legislation on Medicare reform packages including a voluntary prescription drug benefit. Phase One of the modernization of Medicare is the long-awaited and far-reaching Medicare drug benefit. Seniors have asked for assistance in paying for prescriptions and it appears their voices have finally been heard. Phase Two involves the introduction of new private market plans into Medicare which would compete with the government to provide coverage for hospital and physician services.

OVERVIEW:

The overall structure of the House and Senate bills are similar; however there remain differences in implementation and design. Key provisions in the proposals include:

Prescription Drug

- * An interim prescription drug discount card program that would be implemented soon after President Bush signs the final bill. The program would expire in January 2006, when a comprehensive drug program (Medicare Part D) begins.
- * Beginning in 2006, Medicare Fee-For-Service beneficiaries would be entitled to enroll in an optional Medicare Part D prescription drug benefit for an additional monthly premium.

Medicare Reform

- * Medicare beneficiaries can choose to enroll in new private plan alternative to traditional Medicare. These alternatives would also include a drug benefit.
- * Employers could receive assistance with their retiree health benefit programs which could include prescription drug benefits or subsidized premiums.

AREAS OF DISAGREEMENT:

While both bills meet the 10-year, \$400 billion spending cap, Republicans and Democrats are still divided on issues related to spending, responsibility of risk, premiums, and how benefits should be defined and delivered. In addition, the main areas of disagreement include the following:

1. The House and Senate are divided over guaranteeing access of prescription drug providers to Medicare beneficiaries in a particular geographic area, and the provision for Medicare as the “fallback” provider. The Senate bill includes the fallback, the House bill does not. Specifically the discussion centers on who bears the responsibility of risk and whether extra incentives should be paid to private plans to provide coverage.
2. In the House bill, private plans would begin to compete directly with traditional Medicare in 2010. Republicans would like to see more competition in the private sector to ensure long-term program stability; Democrats continue to support a government-sponsored FFS Medicare plan and prefer that beneficiaries not have incentives to select a private plan over Medicare.
3. The House bill also added an unrelated provision for Health Savings Accounts. This provision was passed as a separate legislation and is similar in makeup to Medical Savings Accounts. Republicans believe these accounts will help with the beneficiary’s cost sharing of health plans; Democrats believe the accounts could provide incentives for employers to provide lower benefit plans and cause people to become underinsured.

Sources: *Medicare and Medicaid Guide* Nos. 1261-1263; *Wall Street Journal* June 13, 19 and 25; *Vital Aging Report 2003*; *National Association of Health Underwriters*