



The Medicare Prescription Drug Law

Answers to your questions



What are the projected annual costs of the law?

Annual Premium	\$420 (estimated at \$35 per month)
Deductible	\$250
Coinsurance	Beneficiaries pay 25 percent from \$250 to \$2,250 in drug costs
Coverage Gap	Beneficiaries pay 100 percent from \$2.250 to \$5.100 in drug costs

A breakdown of the annual costs

	<u>A Senior Pays...</u>	<u>And the Plan Covers...</u>	<u>To Buy This Amount of Drugs...</u>
Deductible	\$250	\$0	\$250
Cost-Sharing for Next \$2,000	\$500 (25 percent)	\$1,500 (75 percent)	\$2,000
Gap in Coverage: Seniors Pay 100% of Next \$2,850 in Drug Costs	\$2,850	\$0	\$2,850
Total Spending, Including \$420 Annual Premium	\$4,020	\$1,500	\$5,100

Source: House Budget Committee, Democratic Staff (November 21, 2003)

Will my employer-sponsored retiree health plan be affected?

Possibly. The Congressional Budget Office estimates that the new Medicare law may reduce existing employer-sponsored retiree coverage for at least 2 to 3 million seniors. Supporters of this new law claim that they are providing subsidies to employers to give them an incentive not to drop their retiree coverage. Yet these tax incentives amount to considerably less money than what employers could potentially save by dropping existing retiree health coverage and letting their former employees rely solely on Medicare for their prescription drug coverage and other health needs.

With respect to federal retirees, I sponsored legislation, along with Congressman Tom Davis, to ensure that the federal government does not reduce or eliminate prescription drug coverage to its retirees once this benefit is also available through Medicare. Although our legislation passed the House of Representatives, it was not included as a provision in the prescription drug law signed by the president.

Will this new law result in lower drug prices for seniors?

No. This law does nothing to lower the actual costs of prescription drugs. In fact, the new Medicare law prohibits the Secretary of Health and Human Services (HHS) from negotiating with the pharmaceutical industry to lower drug prices by using the bargaining power of Medicare's 40 million beneficiaries. The pharmaceutical industry insisted upon this provision notwithstanding the fact that the Secretary of Veterans' Affairs currently negotiates with drug companies to substantially lower drug prices on behalf of military retirees, veterans and their families.

In addition, this law prohibits the importation of less expensive drugs. While the law does allow the importation of drugs from Canada with certification from the Secretary of HHS that safety risks do not exist, the Bush administration has stated that it will not provide this certification.

The Congressional Budget Office estimates that Americans will spend \$1.8 trillion on prescription drugs over the next ten years. Competition from the importation of less expensive yet safe drugs, combined with aggressive negotiation on behalf of Medicare beneficiaries, could have resulted in billions of dollars in savings for American consumers.

How will this law be administered?

The new law allows private insurance companies to compete against the traditional Medicare insurance program. This can be a good or a bad thing depending upon one's age and health. Private plans will naturally compete with Medicare for those eligible beneficiaries who are at the least risk of illness and institutional care. Because this is a lower risk population, private insurance companies will be able to offer more attractively priced plans than Medicare. This so-called "cherry picking" will leave the Medicare program with the oldest and sickest. Thus, the end result will be that the traditional Medicare program will be left with a predominantly older and sicker beneficiary population that costs more to insure.

The new Medicare law also states that if the traditional Medicare program's costs exceed the fixed federal contribution, those beneficiaries will be liable for every dollar above that amount. Those left in traditional Medicare could see their premiums increased by as much as 25%.

The introduction of competing private health insurance companies will, for the first time ever in Medicare's history, result in seniors paying different premiums for the same fee-for-service benefit, depending on where they reside and the plans available in their communities.

The new law also provides \$12 billion to private health maintenance organizations (HMOs) and preferred provider organizations (PPOs) to encourage their participation.

A Message from Congressman Jim Moran About the Medicare Prescription Drug Law



Dear Friends:

On December 8, 2003, President Bush signed into law the most important domestic priority adopted by Congress this year - the Medicare Prescription Drug and Modernization Act of 2003. I have always supported an affordable Medicare prescription drug benefit for all seniors. However, this new law will cost seniors too much for the prescription drugs they require to maintain a healthy life. While I have consistently supported Medicare improvements such as more adequate reimbursements for cancer care, physicians, and hospitals, this law falls short of meeting these objectives as well.

I have heard from numerous constituents who share similar concerns with this new Medicare law and want to know how it will affect them and their families. I have compiled responses to the top four questions asked. In addition, I invite you to attend either of two town hall meetings I am hosting in January 2004 to discuss this law and other important domestic issues. For more information on either of these events, please call my Reston District Office at (703) 481-4339 or my Alexandria District Office at (703) 971-4700.

For more detailed information on the new Medicare law and how it will affect you, please visit the Medicare section of my website.
www.moran.house.gov

Congress of the United States
House of Representatives
Washington, D.C. 20515



Official Business

This mailer was prepared,
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Yours Truly,

Congressman Jim Moran

M.C.
Presorted Standard

Congressman Jim Moran's Report on the Medicare Prescription Drug Law



**Please come to these upcoming town hall meetings to discuss
the new Medicare law and other issues before the Congress.**

Reston
January 14, 2004
7 to 9 p.m.
Lake Anne Plaza
Community Center

Alexandria
January 26, 2004
7 to 9 p.m.
Minnie Howard School
3801 West Braddock Road