

Medicare Prescription Drug Benefit: President Bush v. Democratic Proposal

Plan Element	President's 2003 Proposal (Based on Public Reports as of 2/28/03)	House Democratic Bill (108 th Congress)
Guaranteed Minimum Benefit for All Beneficiaries	<u>NO</u> Beneficiaries must leave traditional Medicare and join private plans, which may not participate and can offer vastly different benefits and premiums. Those who remain in traditional Medicare <i>may</i> receive coverage for catastrophic drug coverage (e.g., over \$6,000).	<u>YES</u> Medicare covers prescription drugs like other Medicare benefits, with guaranteed benefits, premiums, and cost sharing for all beneficiaries who wish to participate.
Guaranteed Fair Drug Prices	<u>NO</u> Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing the program's group negotiating power.	<u>YES</u> The Secretary of HHS uses the collective bargaining clout of all 40 million Medicare beneficiaries to negotiate fair drug prices. These reduced prices will be passed on to beneficiaries.
Premium	Not specified. Last year, CBO estimated similar House GOP proposal at \$34/month, \$408/year¹	Specified in statute. \$25/month, \$300/year
Deductible	? (\$275/year?) ¹	\$100/year
Co-insurance	? (50% for first \$3,050 100% for all remaining spending up to the "out-of-pocket" maximum?) ¹	20%
Out-of-Pocket Maximum	N/A. Beneficiaries <u>must pay 10% coinsurance</u> even after they spend \$5,500/year ¹	Beneficiaries <u>pay nothing</u> after they spend \$2,000/year
Coverage Gaps	<u>YES</u> Beneficiaries who need more than \$3,050 worth of drugs must pay 100% out-of-pocket (and keep paying premiums) until they spend \$5,500 out-of-pocket -- a gap of \$3,838/year. ¹	<u>NO</u> Beneficiaries always have coverage, with no gaps.
Access to Local Pharmacies	<u>LIMITED</u> Private insurers have incentives to limit which pharmacies participate in their network.	<u>BROAD</u> Any willing pharmacy must be included in the network.
Access to Prescribed Medicines	<u>LIMITED</u> Private insurers have incentives to establish strict formularies and deny any coverage for off-formulary drugs.	<u>BROAD</u> Beneficiaries have coverage for any drug their doctor prescribes.
Low-Income Protections	<u>WEAK</u> Based on prior GOP proposals, no protections for up to 40% of low-income beneficiaries due to imposition of so-called "assets test."	<u>STRONG</u> No cost sharing or premiums up to 150% of poverty; sliding scale premiums between 150% and 175% of poverty. Assets test is waived.

¹ Details as of 1/27/03. Cost sharing amounts shown are benchmarks only. Actual cost sharing amounts will vary depending on the private plan the beneficiary chooses (assuming one is available).

**PRESCRIPTION DRUG PROPOSALS:
MEDICARE BENEFICIARIES PAY MORE THAN TWICE AS
MUCH UNDER REPUBLICAN PLANS**

The average Medicare beneficiary will need about \$3,400 worth of prescription drugs in the first year of a new Medicare prescription drug benefit.

How much would a senior have to pay to get \$3,400 worth of drugs under various proposals?

	<u>HOUSE DEMOCRATS</u>	<u>PRESIDENT BUSH</u>	<u>HOUSE REPUBLICANS</u>
PREMIUM	<u>\$300</u>	<u>\$408</u>	<u>\$408³</u>
DEDUCTIBLE	<u>\$100</u>	<u>\$275</u>	<u>\$250</u>
		<u>\$1,388</u> for first \$3,050 in drugs	<u>\$150</u> for first \$1,000 in drugs
COINSURANCE	<u>\$660</u>	<u>\$350</u> for remainder of drugs	<u>\$500</u> for next \$1,000 in drugs
			<u>\$1,400</u> for remainder of drugs
TOTAL: BENEFICIARY SPENDS	<u>\$1,060</u> (31%)	<u>\$2,421</u> (71%)	<u>\$2,708</u> (80%)
TOTAL: BENEFICIARY SAVES	<u>\$2,340</u> (69%)	<u>\$979</u> (29%)	<u>\$692</u> (20%)

¹ Based on press accounts of President's proposed drug benefit for those who leave the traditional Medicare program and join private plans. About 35 million beneficiaries are currently in the traditional Medicare program. The President's proposal would offer these beneficiaries much less assistance, if any.