

Supports Senators' July 8 Medicare Letter

July 18, 2003

Dear Representative:

The undersigned members of the Leadership Council of Aging Organizations, are writing to urge important improvements in the Prescription Drug and Medicare Improvement Act of 2003 (H.R. 1 and S. 1) during the Conference Committee process.

We strongly support and endorse the letter signed by 37 Senators and sent to President Bush on July 8, 2003. This letter expresses concerns about key issues and indicates that if the Conference agreement does not address several of these issues, it may be opposed. We agree and strongly believe that the nation's Medicare beneficiaries support the Senators' positions. The issues listed in the Senators' letter include:

- Opposition to using higher premiums to drive seniors and people with disabilities into private plans. For most beneficiaries, the House provision basically turns Medicare into a defined contribution or voucher-type program, in which the government makes a set premium payment, and costs are increasingly shifted to the nation's seniors and people with disabilities.
- The need for a reliable system to deliver the prescription drug benefit to everyone (a back-up system).
- The need for "substantial relief from the penalty imposed under both bills on employers who currently provide retiree coverage." The Congressional Budget Office has estimated that in both bills, over 30 percent of individuals who receive the prescription drug benefits from former employers would see their coverage dropped. This would cause extreme deprivation in the nation's retiree and disability communities.
- The requirement to include all Medicare eligibles in Medicare as primary payer and to provide the Senate's special assistance, particularly in the "donut hole," for lower-income beneficiaries.
- The strongest possible efforts to moderate pharmaceutical drug price inflation, currently running 3.4 times the basic inflation rate.
- The deletion of last-minute, massive tax breaks, which fail to help the uninsured and reduce resources available to the nation.

We also urge Congressional support and consideration of other issues that would greatly improve the program and its support among the nation's 41 million seniors and people with disabilities:

Oppose Means Testing. Health coverage in Medicare should not be conditioned on income status. For example, as previously stated, the lowest-income seniors and people with disabilities should not be excluded from Medicare drug coverage by requiring them to receive their coverage through Medicaid. Variation of Medicare coverage based exclusively on income, as also occurs in the House catastrophic benefit provision, will fundamentally alter the Medicare program.

Stability in benefit package. We support efforts to enable beneficiaries to truly be able to compare plans and make intelligent choices by limiting the range of variation in premiums and benefit packages. The Medicare supplemental insurance (Medigap) program, by requiring plans to compete on price, has been a success. We urge similar consumer aids in the design of the private plan prescription drug packages.

Stability in premiums. The bills allow for significant variation in premiums between plans and regions. This will lead to future confusion and frustration among beneficiaries (similar to the

concern among Members of Congress today about variations in Medicare payments among regions). We urge Congress to support efforts to provide as much uniformity in premiums as possible.

Oppose Home Health co-pay and higher Part B deductibles. Today, Medicare only covers about half the cost of health care for the nation's seniors and people with disabilities. Both bills make troubling steps toward further shifting costs to beneficiaries, at a time when people are sick and in need of services. Until Medicare does a better job in covering the health care costs of its enrollees, we urge you to minimize any deductible increases and oppose the House home health co-pay. The home health co-pay is particularly troubling, because it is a new cost imposed on beneficiaries at a time when they are sick, and it is a benefit used disproportionately by the older and frailer Medicare population.

Early help for Medicare beneficiaries who need self-injectable biologicals. We urge the Conferees to provide Part B coverage of self-injected biologicals, until such time as the Medicare prescription drug program becomes effective in 2006. This provision is particularly important for those who are disabled or live in rural communities and who today must travel to physicians' offices for treatment that clearly can be self-administered.

Improve care for complex chronic illness. We urge the Conferees to accept the Senate's section 442, which provides a demonstration of ways to improve and coordinate the care of especially complex, chronically ill beneficiaries. These are the individuals who consume a huge amount of Medicare's budget and often receive uncoordinated and therefore poor quality care. The demonstration has the potential to show us how to improve the quality of life for these beneficiaries while reducing costs.

Assets test: Although the House bill increases the asset test from \$4,000 and \$6,000 for individuals and couples (respectively) to \$6,000 and \$9,000. We prefer the Senate provision in 2009, which takes the asset test to \$10,000 for an individual and \$20,000 for a couple and makes application of the test much simpler. The current asset test limits keep millions of truly low-income beneficiaries from qualifying for special assistance with the cost of deductibles, co-pays, and premiums; and a major adjustment in the test levels (which have not been changed since 1989) is long-overdue, and as soon as possible, we urge the Congress to totally repeal this test.

Beneficiary education and assistance. Because of the many new plans and options, many beneficiaries, particularly lower-income individuals, are likely to encounter enormous difficulty understanding and using the new law. We support Senate section 606, which provides \$1 per beneficiary to the State Health Insurance Advisory Programs (SHIPs) to help beneficiaries navigate and use the new programs.

Some of these provisions we recommend will cost more money than is available in the \$400 billion provided for Medicare by the budget resolution. The nation's seniors will note (as mentioned in the letter by the 37 Senators) that the House of Representatives accompanied the passage of its prescription drug bill with a new \$174 billion (over ten years) tax break. This tax break is skewed toward the upper incomes and those who already have health insurance. It is likely to accelerate the erosion of the employer-provided health insurance system, and it was passed with almost no hearings or debate. The money so casually spent on this legislation could have provided a much better Medicare prescription drug benefit, more help for low-income beneficiaries closing the "donut hole", etc. The fundamental problem with the Congressional Medicare prescription drug bills is that they cannot do an adequate job within the current budget resolution. To provide a meaningful benefit, more resources will be required, and we urge Members of Congress to commit themselves to that cause.

Thank you again for your consideration.

Sincerely,

*AFL-CIO Department of Public Policy
AFSCME Retiree Program
Alliance for Retired Americans*

American Foundation for the Blind
Association for Gerontology and Human Development in Historically
Black Colleges and Universities
American Association for International Aging
American Public Health Association
American Federation of Teachers Program on Retirement and Retirees
American Society on Aging
Association of Jewish Aging Services of North America
B'nai B'rith International
Families USA
Gray Panthers
National Academy of Elder Law Attorneys
National Association of Professional Geriatric Care Managers
National Association of State Long-Term Care Ombudsman Programs
National Committee to Preserve Social Security and Medicare
National Indian Council on Aging
National Senior Citizens Law Center
The National Caucus and Center on Black Aged, Inc
OWL, the voice of midlife and older women
United Auto Workers Retired Workers Department
Volunteers of America