

The Medicare Bait and Switch

Congress promises to help Medicare beneficiaries
by covering prescription drugs

BUT

Medicare beneficiaries in Florida will pay *more* under
proposed reforms!

**The Impact of Medicare Reforms
Florida Data**

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Prescription Legislation Forces Beneficiaries in Florida to Pay MORE

Congress promises to help Medicare beneficiaries

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beneficiaries will pay *more* under proposed reforms!

The primary impetus of the Medicare reform proposals passed by each house of Congress in July, S1 and HR1, is to lower the cost of prescription drugs for the more than 40 million seniors and people with disabilities enrolled in Medicare. **However, in many ways, each bill will actually increase the cost of prescription drugs and other health care services to people on Medicare.**

This report calculates the number of Florida Medicare beneficiaries who will have to pay more for certain health care services under the Senate bill, S1, and the House bill, HR1.

First of all, **Medicare beneficiaries will pay more for health services under both S1 and HR1 because both plans provide very poor prescription drug benefits**, much less than those offered in a typical employer plan (and considerably less than those available to members of Congress). While the Congressional Budget Office calculates that nationally Medicare beneficiaries will spend \$1.84 trillion over the next decade on prescriptions, the congressional bills spend about \$400 million, or less than one-fourth of the costs.

In order to lower the cost of the prescription drug benefit, both plans require separate premiums, deductibles and co-payments for the Medicare prescription drug benefit. In addition, both bills have a large “doughnut”, that is, prescription drug costs that Medicare does not cover at all.

The skimpy drug benefit will mean that a significant portion of seniors and people with disabilities on Medicare will pay more for the new benefit than they now pay for prescriptions. In addition, the establishment of a Medicare prescription drug benefit will give employers, state Medicaid programs and state drug coverage programs an excuse to no longer provide benefits, leaving beneficiaries with the weak Medicare prescription drug coverage.

Secondly, **Medicare beneficiaries will pay more for health services because both bills increase the cost of current Medicare services.** Both bills increase the Part B deductible for doctor visits and, for the first time, require annual increases in the deductible.

Co-payments will rise, too. S1 imposes a co-payment for laboratory services for the first time. HR1 imposes co-payments for home health care for the first time.

This report estimates the number of seniors and people with disabilities on Medicare in Florida who may face higher costs for prescriptions and current Medicare services under S1 and HR1.

Third, the bills include some very different proposals that could reshape Medicare for years to come. The Senate bill has many more provisions to preserve traditional Medicare, while the House bill has many provisions that favor private insurance over traditional Medicare.

Conclusion and Recommendations

The amount of money available under the federal budget approved by Congress and President Bush is clearly inadequate to provide an affordable prescription drug benefit to the more than 40 million seniors and people with disabilities (**2,838,345** in Florida) who rely on Medicare.

1. Congress should increase the purchasing power of the money available for prescription drugs by offering the benefit directly through Medicare -- rather than private insurers, as is proposed in both bills. By using the purchasing power of Medicare, prices can be lowered by 40% from retail prices, as demonstrated by the Veterans Administration.
2. Congress should increase the amount of money available for the Medicare prescription drug benefit by repealing the federal income tax breaks that offer relief to the wealthiest Americans.

By undertaking these two measures, Congress can provide a prescription drug benefit that is both affordable to people on Medicare and to taxpayers.

In addition to these overall recommendations to reshape the prescription drug benefit proposed in the Medicare reform bills, we offer the following recommendations to deal with the specific problems highlighted in this report:

1. Medicare should cover Medicaid beneficiaries with a good benefit, such as in the Senate bill.
2. Medicare should provide a prescription drug benefit that is comparable to employer and state prescription drug coverage, removing the incentive for employers and states to drop or lower coverage.
3. Medicare should not raise costs under Part B. Currently, Medicare only covers less than half of beneficiaries' medical costs.

Comparison of Senate and House bills on preserving traditional Medicare program

Proposal	Senate (S1)	House (HR1)
Affordable coverage for low-income beneficiaries	Yes	No
Provides Medicare back-up plan if private insurance is not available	Yes	No
Multiple provisions to promote private plans over traditional Medicare	No	Yes
Adds administrative red-tape with income and assets testing	No	Yes

Total number of seniors and people with disabilities who will pay more under the Senate and House bills

Florida Data		
Health Service	Number of Beneficiaries Senate Bill - S1	Number of Beneficiaries House Bill - HR1
Number who will pay more for prescriptions	850,607	708,839
Number of low-income who will may pay more for prescriptions	368,387	N/A (see pg. 5)
Estimated number who will lose employer coverage	304,554	263,398
Number who will pay more for doctor visits	2,467,488	2,467,488 (see pg. 7)
Number who will pay more for home health care	None	139,503
Number who will pay more for lab visits	N/A (see pg.9)	None

**Florida Seniors and people with disabilities
will pay more for prescription drugs under both
the House and Senate Medicare bills**

There are **850,607** Medicare beneficiaries in Florida who will pay more for prescriptions under the Senate bill.

There are **708,839** Medicare beneficiaries in Florida who will pay more for prescription drugs under the House Medicare bill.

Both the Senate and House bills will require monthly premiums, a deductible and co-payments for people who earn more than 135% of the federal poverty level. These new costs will add up to more than this vulnerable population is currently paying for prescription drugs.

The breakeven point under the Senate bill, that is the point at which the bill starts saving seniors money, is \$1,100. 850,607 Medicare beneficiaries in Florida lose out on this provision because they pay less than \$1,100 on their prescription drugs. **A total of 48% of Medicare beneficiaries nationwide pay less than \$1,100 for their prescription drugs and therefore would NOT benefit from this provision.**

The breakeven point under the House bill is \$800. 708,839 Medicare beneficiaries in Florida lose out on this provision because they pay less than \$800 on their prescription drugs. **A total 40% of Medicare beneficiaries nationwide pay less than \$800 for their prescriptions and therefore would NOT benefit from this provision.**

Congress must improve the Medicare benefit by rolling back tax cuts for the wealthy to make more money available to Medicare.

Congress must make prescription drugs available through Medicare, rather than forcing seniors and people with disabilities to go to private insurance companies.

Medicare, like the Veterans Administration, should also use its massive purchasing power to make prescription drugs available at more affordable prices.

Source: Number of people enrolled in Medicare in 2001, from Kaiser Family Foundation, State Health Facts Online. This is net of beneficiaries who earn less than 135% of FPL, from State Level Poverty Data for the Medicare Population, Kaiser Family Foundation, June 2003. Estimate of annual prescription drug costs from Center for Policy Alternatives from Urban Institute study.

Florida

Low-Income seniors and people with disabilities on Medicaid pay more for prescription drugs under both the House and Senate Medicare bills

There are **368,387** low-income seniors and people with disabilities in Florida who will pay more for their prescription drugs under the House and Senate Medicare bills.

The Senate bill does not provide prescription drug coverage for people who are also enrolled in Medicaid. This violates a basic foundation of Medicare: **universality**. However, under the Senate bill, states will have an incentive to reduce or drop Medicaid coverage for seniors and people with disabilities, forcing them to lose other essential health coverage provided by Medicaid (nursing home, home care, vision, dental and hearing) and to pay more for services provided through Medicare (doctor, hospital and lab).

The House bill does cover Medicaid beneficiaries, but makes them vulnerable to very high out-of-pocket costs. Under the House bill, all Medicare beneficiaries, including those with low incomes, would be subject to the “doughnut”. The “doughnut” refers to prescription drug expenditures that will not be covered by Medicare. For example, a low-income senior or person with disabilities, who has \$3,000 of prescription drug costs, would still have to pay about \$1,114 in drug costs under the House bill.

Congress must include Medicaid beneficiaries in the Medicare prescription drug program while offering affordable benefits to low-income beneficiaries, as is in the Senate version of the bill.

Source: Number of people enrolled in Medicare and Medicaid in 2002, from Kaiser Family Foundation, State Health Facts Online. Estimates of out-of-pocket costs under HR1 from Families USA.

Florida

Seniors will lose employer-sponsored prescription drug coverage under both the House and Senate Medicare bills

An estimated **304,554** seniors in Florida will lose employer-sponsored prescription drug coverage under the Senate Medicare bill.

An estimated **263,398** seniors in Florida will lose employer-sponsored coverage under the House Medicare bill.

According to the Congressional Budget Office, the passage of the Medicare bill will result in a significant portion of employers dropping prescription drug coverage for retirees. While the coverage in both bills is significantly inferior to that typically offered by employers, the fact that Medicare drug coverage is made available would accelerate the pace at which employers are already dropping retiree coverage.

According to the CBO, under the Senate bill, 37% of Medicare beneficiaries would lose employer coverage.

Additionally, the CBO estimates that under the House bill, 32% of Medicare beneficiaries would lose employer coverage.

Congress must provide a prescription drug benefit under Medicare that is comparable to employer prescription drug coverage.

Source: Kaiser Family Foundation, State Health Facts Online, has estimates of the proportion of Medicare enrollees by region who have employer coverage. Regional estimate used for each state. The number of beneficiaries is 2001 data. The proportion in employer coverage is 1996 data.

Florida

Medicare Beneficiaries will pay more for doctor visits under both the House and Senate Medicare bills

There are **2,467,488** Medicare beneficiaries in Florida who will pay more for doctor visits in both the House and Senate Medicare bills.

Buried in both versions of the Medicare bill are provisions that would raise the cost of the Medicare program, independent of the new prescription drug benefit. Both bills would increase Medicare Part B deductible; the amount that Medicare beneficiaries must pay before Medicare starts paying for doctor visits. Under current law, the annual deductible is \$100. The deductibles do not apply to people enrolled in Medicaid.

Under the Senate bill, the deductible will rise to \$125 in 2006 and to \$149 by 2013, keeping pace with consumer inflation. **The Congressional Budget Office estimates that the total cost to beneficiaries of the higher deductible will be \$10.6 billion.**

Under the House bill, the deductible will rise to \$109 in 2006 and to \$164 by 2013. **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$11.2 billion.**

Congress must not raise the Part B deductible. As it is, Medicare covers less than half of beneficiaries' medical costs.

Source: Non-dual eligible Medicare beneficiaries in 2001, from Kaiser Family Foundation. Estimates of level and cost of deductibles from Congressional Budget Office, cost estimate of HR1 and S1, 7/22/03.

Florida
**Medicare beneficiaries will pay more for home health
care under the House Medicare bill**

There are **139,503** Medicare beneficiaries in Florida who will pay more for Home Health Care.

The House bill will institute co-payments for Medicare beneficiaries who use home health care. The 15% co-payment would apply to each home care episode (typically 60 days). **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$2.1 billion.**

The co-payments would not apply to Medicare patients who are also eligible for Medicaid and for others who are below 135% of poverty, meet certain asset limits, or apply for the exemption.

Congress must not impose co-payments for home care. People who require home care already bear very high health care costs.

Source: Data on number of home care patients in 2001 from the National Association of Home Care, from CMS, HCIS Data. Data on number of beneficiaries below 135% of poverty from Kaiser Family Foundation. The calculation applies the proportion of beneficiaries in each state above 135% of poverty to the number of home care patients in that state. Cost estimates from CBO, 7/22/03.

Medicare beneficiaries will pay more for laboratory services under the Senate Medicare bill

The Senate bill will institute co-payments for Medicare beneficiaries who use laboratory services. For the first time, Medicare beneficiaries (who are not on Medicaid) would have to pay 20% of the cost of lab visits. **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$18.6 billion.**

Congress must not impose co-payments on laboratory services. As it is, Medicare covers less than half of beneficiaries' medical costs.

Source: Non-dual eligible Medicare beneficiaries in 2001, from Kaiser Family Foundation. Estimates of level and cost of deductibles from Congressional Budget Office, cost estimate of HR1 and S1, 7/22/03.

This report was written and researched by Richard Kirsch, Executive Director of the Public Policy and Education Fund of New York for USAction Education Fund. Dan Smith, intern at New Jersey Citizen Action, provided research assistance. The national version of this report will be available on-line at www.usaction.org in September 2003. Copyright 2003

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