What's in the House and Senate Medicare Prescription Drug Bills?

What Is the Basic Drug Benefit?

The Senate and House bills provide different basic drug benefits. As the table below shows, the "donut hole"—or gap in coverage—is bigger in the House bill than in the Senate bill. This table shows how people with no other prescription drug coverage will fare under the two bills. *(If you are an individual with income below $14,368 or a couple with income below $19,392, see "Low Income" section below and the table on page 4.)*

Senate		House
$275	**Deductible**	$250
You pay 50% of drug costs between $275 and $4,500	**Initial Cost-Sharing**	You pay 20% of drug costs between $250 and $2,000
No help with drug costs between $4,500 and $5,813	**"Donut Hole"**	No help with drug costs between $2,000 and $4,900
You pay 10% of drug costs after $5,813 in spending	**Catastrophic Cost-Sharing**	You pay nothing for drug costs after $4,900 in spending

What Is the Estimated Premium for This Drug Benefit?

For both bills, the estimated cost is $35 a month ($420 a year). There is no guarantee that the cost will not be higher than this estimate.

When Will the Drug Benefit Be Available?

In both bills, the benefit will not be available until 2006.

For People with Low Incomes, What Additional Help Is Available?

Both bills give extra help to low-income Medicare beneficiaries. The Senate bill, however, helps more people, and it gives them more help. It does this in three ways.

1 The **Senate** bill gives extra help with drug costs to all of the nearly one-third in Medicare who have incomes below about $14,000 for an individual or about $19,000 for a couple. In contrast, the **House** bill gives extra help with drug costs only to those in Medicare with incomes below about $12,000 for an individual and about $16,000 for a couple. For people with incomes between $12,000 and $13,500 (individual), or between $16,000 and $18,000 (a couple), the **House** bill gives some help with premium costs, but it does not provide any added help with drug costs or the deductible.

2 The **Senate** bill helps low-income beneficiaries with all of their drug costs. Although both bills have a gap in coverage (sometimes referred to as the "donut hole")—a period when basic coverage stops and catastrophic coverage hasn't kicked in—in the basic drug benefit, the **Senate** bill does not have a gap in coverage, or donut hole, for low-income people. It gives some help with every prescription. Under the **House** bill, low-income people get *no* assistance with their drug costs over $2,000 until they spend $3,500 out of their own pockets on prescription drugs.

3 The **House** bill has an assets test that will prevent many low-income people from receiving assistance. The **Senate** bill allows Medicare beneficiaries to have significantly more assets and still qualify for additional help; it also allows low-income people who do not meet the assets test to qualify for some additional assistance.

Although the Senate bill provides better low-income protections, there is one aspect of the Senate bill's low-income provisions that needs to be fixed. The Senate bill treats the poorest of the poor—those who are eligible for both Medicaid and Medicare—separately from all other seniors. Under the Senate bill, these "dual eligibles" would receive drug coverage under Medicaid, while all others would receive coverage through Medicare. Segregating the poorest of the poor from all other seniors sets a dangerous precedent. It also creates harmful incentives for the states to cut back their Medicaid coverage. Moreover, since the lowest-income seniors often cycle on and off Medicaid, the source of this drug coverage will confusingly and undependably vary from one moment to the next.

The table on page 4 illustrates the out-of-pocket spending for two hypothetical low-income Medicare beneficiaries.

? Will All Medicare Beneficiaries Be Guaranteed the Drug Benefit?

Under both bills, there are two different ways Medicare beneficiaries can receive the drug benefit: They can join a private insurance plan (similar to a Medicare+Choice plan) that will provide all the services Medicare pays for, or they can purchase a drug-only private plan while staying in traditional Medicare for all other covered services.

However, under the **House** bill, Medicare beneficiaries are left at the mercy of private insurance plans. For those who live in an area where there is no private plan willing to provide a drug benefit, then the prescription drug benefit will not be available. Private insurance plans won't operate in places where they don't expect to make a profit. For example, in the current Medicare+Choice program, private plans often do not operate in rural areas. In fact, nearly one out of every four Medicare beneficiaries lives in a rural county, and the vast majority of these 9.3 million people have no private plans available. And when private plans *are* available to them, the plans often do not offer prescription drug coverage.

Under the **Senate** bill, unless there are *at least two* private insurance plans operating in an area (either plans providing all Medicare services or drug-only plans), then the federal government will step in and provide the prescription drug benefit. The Senate bill does not leave Medicare beneficiaries at the mercy of the business decisions of private health insurance plans; instead, it *ensures that all beneficiaries who want the drug benefit can receive it*.

? Will the Cost of Traditional Medicare Part B Premiums Go Up Even If I Don't Want the Prescription Drug Benefit?

Over time, the **House** bill creates a competitive bidding system that will cause Medicare Part B premiums to increase significantly for anyone who wants and needs to stay in the traditional Medicare program.

This competitive bidding system unfairly pits the traditional Medicare program against private plans. While competition may sound like a good way to reduce prices, it actually will result in soaring premiums for traditional Medicare. Here's why: Private plans will be able to attract or "cherry pick" the youngest, healthiest, and wealthiest Medicare beneficiaries, resulting in greater profits for private plans. Meanwhile, traditional Medicare will continue to be the choice for anyone who needs access to specialists and services that aren't covered by the private plans—that is, those who are older and sicker and, therefore, more expensive to cover. These higher costs will drive up the premiums for traditional Medicare. The chief actuary for the U.S. Department of Health and Human Services estimated that competitive bidding could drive up premiums for traditional Medicare by as much as 25 percent in the first five years and by even more after that. As premiums for traditional Medicare go up, more and more younger and healthier beneficiaries with "jump ship" and join private plans. But if you want to stay in traditional Medicare, you will have to pay more.

The **Senate** bill does not set up this unfair competitive bidding system and will not drive up traditional Medicare premiums by leaving the program with only the most expensive beneficiaries.

Out-of-Pocket Spending for Medicare Beneficiaries: Two Examples

Rx Costs Per Year	
Lipitor, 10mg	$871
Vioxx, 25 mg	$1,050
Synthroid, 0.1 mg	$153
Fosamax, 70 mg	$894
Total Costs = $ 2,968 per year	

Medicare Beneficiary Income	Out-of-Pocket Senate Bill	Out-of-Pocket House Bill
$ 8,980 (100% poverty)	**$74**	**$1,084**
$12,123 (135% poverty)	**$148**	**$1,084**

Rx Costs Per Year	
Lipitor, 10mg	$871
Vioxx, 25 mg	$1,050
Synthroid, 0.1 mg	$153
Fosamax, 70 mg	$894
Norvasc, 5 mg	$549
Prilosec, 20 mg	$1,684
Total Costs = $ 5,201 per year	

Medicare Beneficiary Income	Out-of-Pocket Senate Bill	Out-of-Pocket House Bill
$ 8,980 (100% poverty)	**$148**	**$3,299**
$12,123 (135% poverty)	**$295**	**$3,299**

Out-of-pocket calculations for the House bill assume a $3.50 copayment for each prescription with each drug filled 12 times a year.

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