

Medicare



Medicare Prescription Drug Benefit – Recess Activity



Congress made a promise to America’s seniors to deliver better Medicare and a prescription drug benefit.

- The promise has been met – and a bipartisan bill passed Congress and is now law.
- Traditional Medicare is strengthened and improved to keep up with advancements in health care, including disease management and preventive care.
- For the first time ever, America’s seniors enrolled in the Medicare program have access to a prescription drug benefit.

The Medicare Prescription Drug Benefit is working.

- The benefit is working – competition has resulted in better benefits at lower costs.
- Enrollment is large and growing.
- Beneficiaries are saving and are satisfied with the benefit.
- Most beneficiaries will not be exposed to a gap in coverage – and those who are benefit from negotiated prices and are insured for catastrophic costs.

Suggested Recess Activities:

- **Press Release/Statement on state-specific enrollment numbers**
- **Editorial board meetings**
- **Op-Ed touting success of the Medicare Prescription Drug Benefit Program (38 million)**
- **Joint Op-Ed with a Medicare beneficiary**
- **Weekly Column/E-Newsletter**
- **Talk Radio**

Resources & Contacts:

CMS: James Scott, Senior Legislative Advisor, Office of Legislation, (202) 690-8258

Medicare Rx Education Network: Eugenia Edwards, Senior Public Policy Specialist, (202) 457-5622

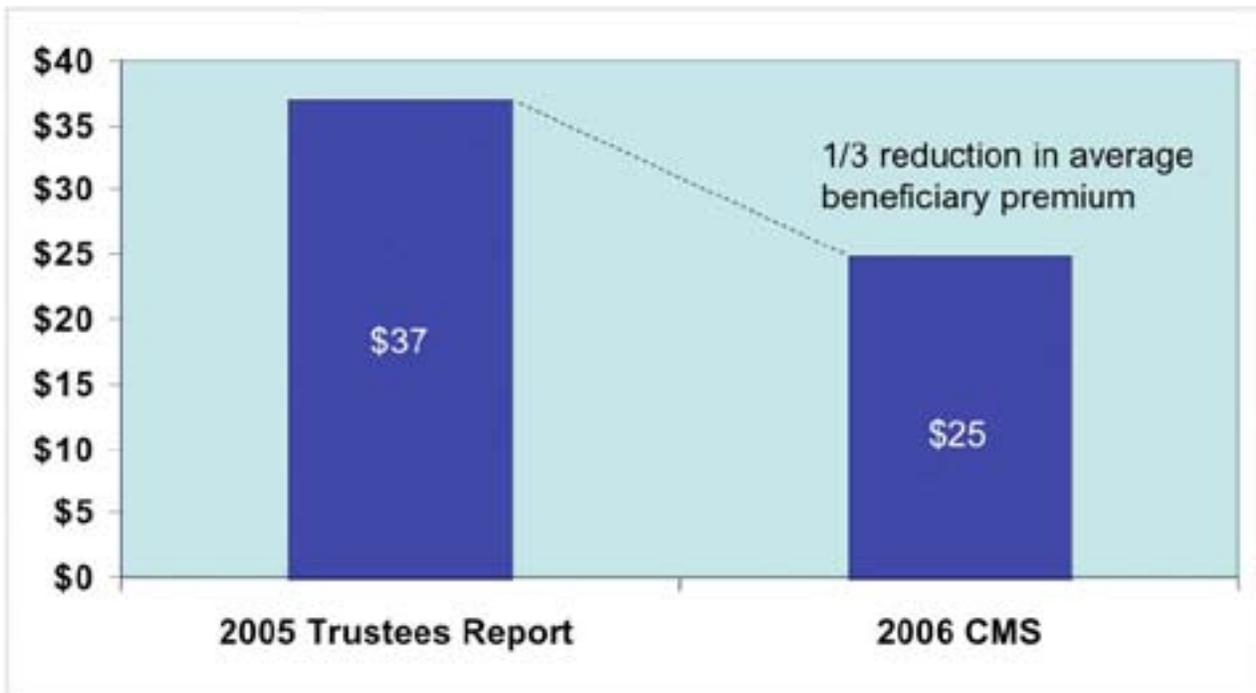
Medicare Access for Patients Rx: Mary Worstell, Convener, (202) 349-1152

Access to Benefits Coalition: Howard Bedlin, Vice President, Public Policy and Advocacy, The National Council on the Aging (NCOA), (202) 479-6685

HealthCare Leadership Council, Debbie Witchey, Vice President, Government Relations, (202) 452-8700

Competition is Working

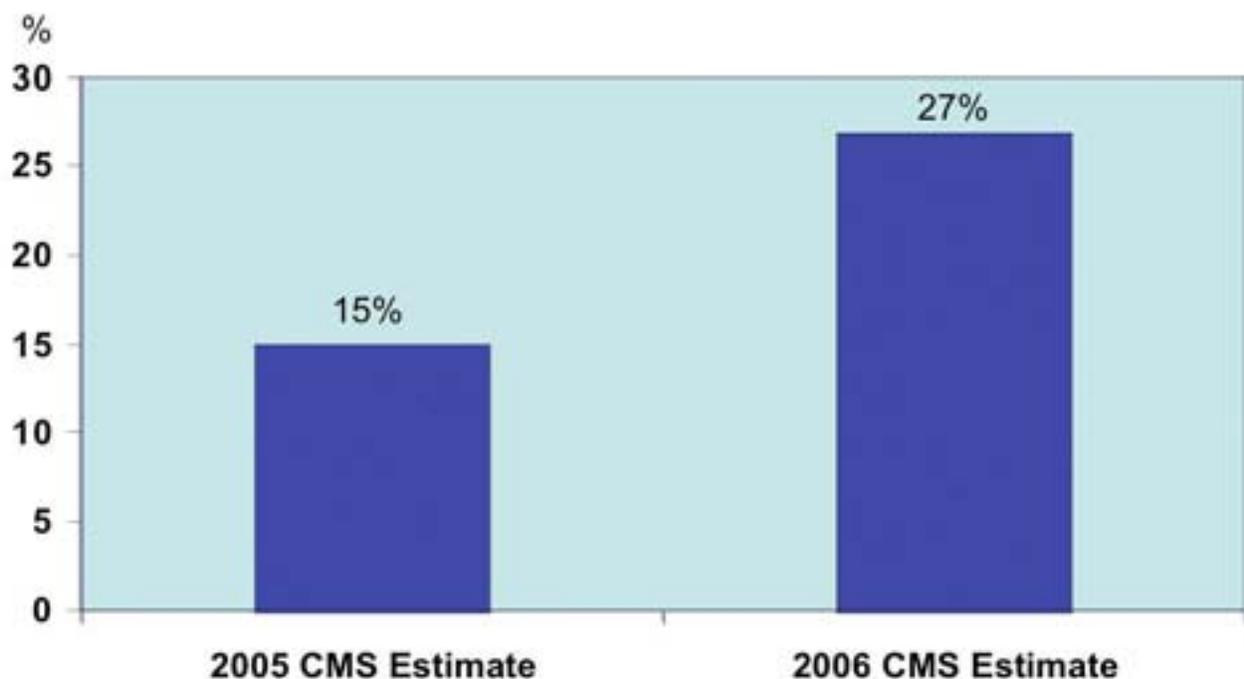
Average Premium has declined by 1/3 (\$37 to \$25)



Sources: 2005 Annual Trustees Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, p. 156 (found at <http://www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2005.pdf>), Centers for Medicare and Medicaid Services, Press Release, February 22, 2006 (found at <http://www.cms.hhs.gov/media/press/release.asp?Counter=1766>)

Discounts and Rebates Have Increased

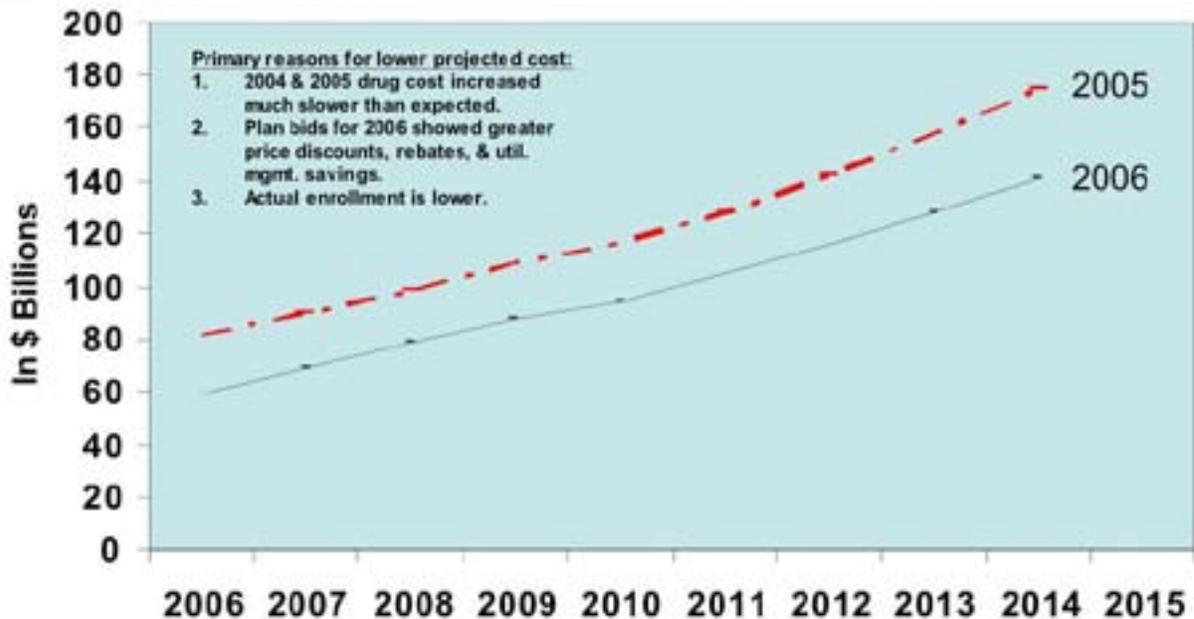
From 15% to 27% Due To Robust Competition



Sources: Letter from Rick Foster, Chief Actuary, Centers for Medicare and Medicaid Services, February 11, 2005 and C. Berger et al. "Health Spending Projections Through 2015: Changes on the Horizon." *Health Affairs*, Web Exclusive 22 February 2006; W61-W73 and Centers for Medicare & Medicaid Services, "National Health Care Expenditures Projections: 2005-2015," February 2, 2006, <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2005.pdf>.

Compared to Last Year's Trustees Report, Projected Net Medicare Spending for Part D from 2006 – 2015 is **Roughly 20 Percent Lower***

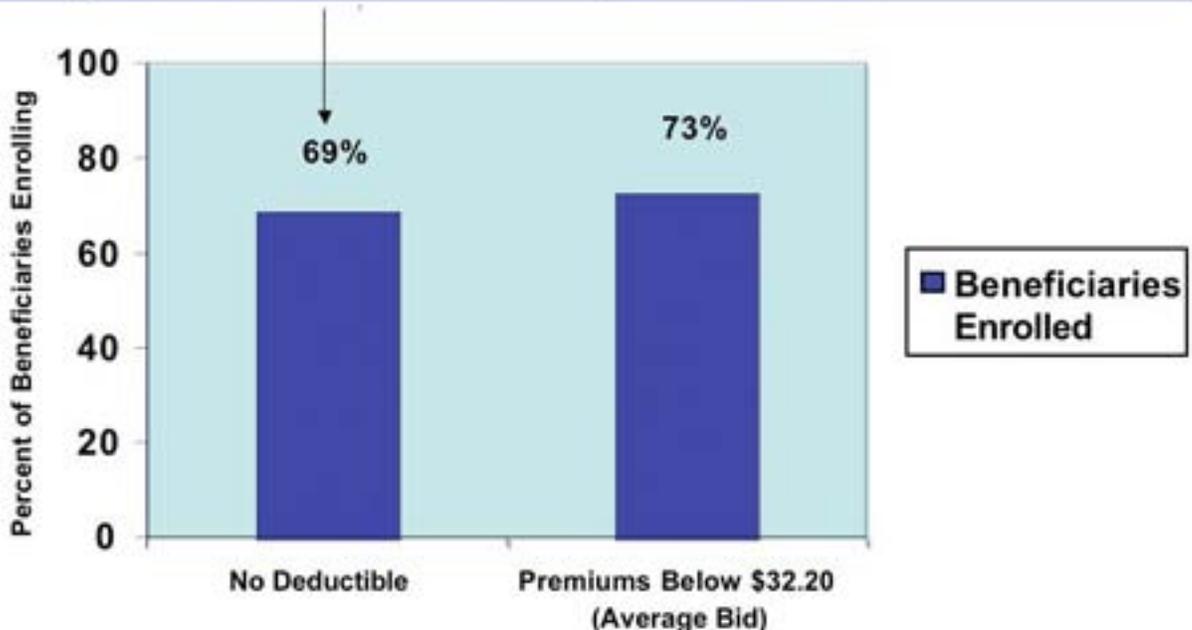
Comparison of 2006 Trustees Report Part D Intermediate Cost Projections to Range From 2005 Report



Sources: Rick Foster, Chief Actuary, Centers for Medicare and Medicaid Services, "The Financial Status of Medicare: Presentation for the American Enterprise Institute, May 2, 2006"
 *HHS News Release "Medicare Trustees Release Annual Report", May 1, 2006

Most Beneficiaries Are Enrolled In Plans With No Deductible and Low Premiums

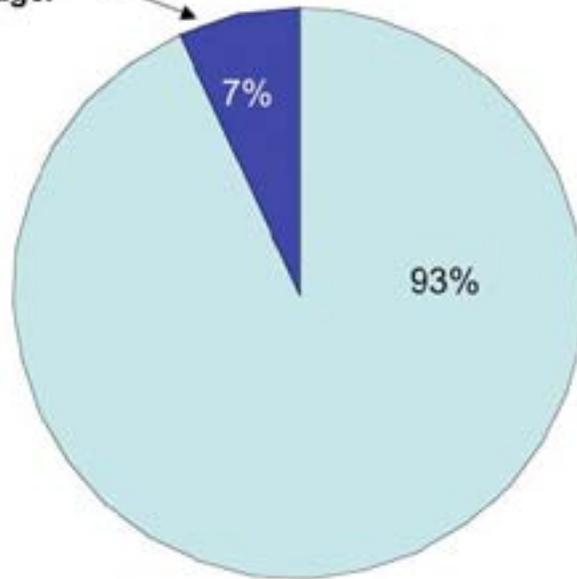
While many Plans offered the standard benefit option designed by Congress with a \$250 deductible, an overwhelming 69% of Medicare beneficiaries enrolled in a plan with no deductible.



Sources: MedPAC Commission presentation, March 9, 2006 and Inside Washington Publishers, "Price and Formulary Design Play Key Role in Part D Enrollment Pattern", April 25th, 2006

All Beneficiaries Have Access to Plans With Premiums Far Lower Than The National Average

The remaining 7% have access to plans less than \$25, the national average.

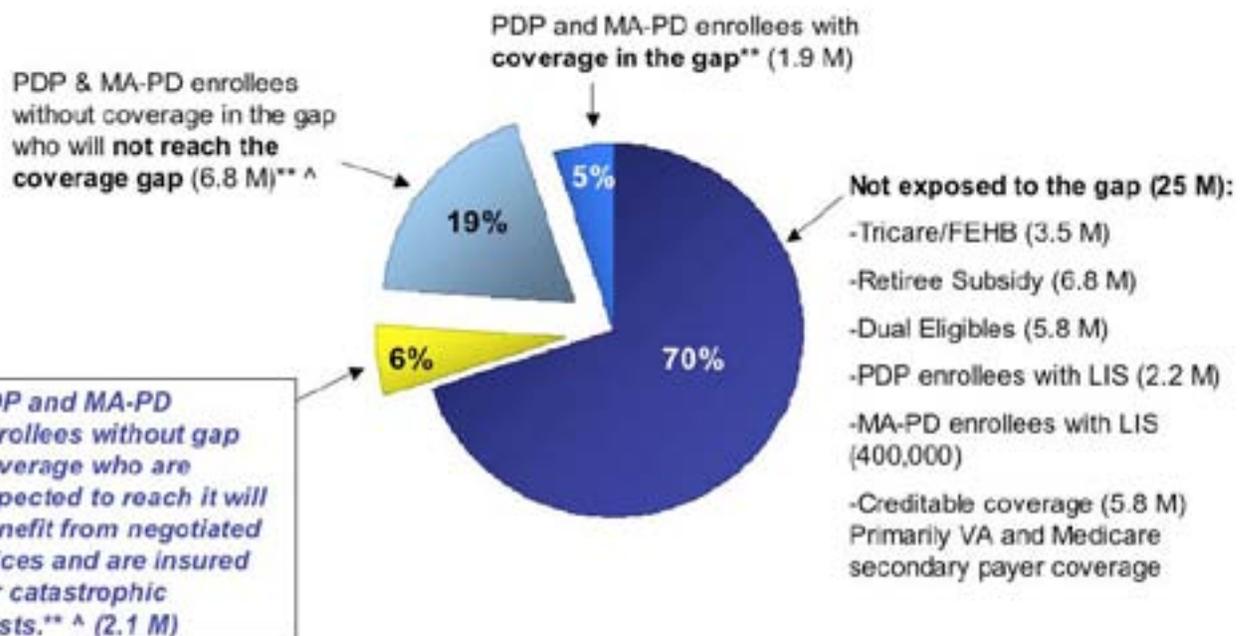


93 % of Beneficiaries Have Access To Medicare Prescription Drug Plans With Premiums Below \$15

Source: Analysis of PDP Landscape of Local Plans Source File, Centers for Medicare and Medicaid Services (found at <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/Downloads/PDPSource.zip>)

Most Medicare Beneficiaries Will Not Be Exposed to a Gap in Coverage

Medicare Beneficiaries with Prescription Drug Coverage as of 4/18/2006 (35.8 M)*



*HHS Release "30 Million Medicare Beneficiaries Now Receiving Prescription Drug Coverage" dated April 20, 2006 (enrollment as of April 18, 2006)

**Inside Health Policy; "Price and Formulary Design Play Key Role in Part D Enrollment Pattern"; April 25, 2006

*The Henry J. Kaiser Family Foundation; "Estimates of Medicare Beneficiaries' Out-Of-Pocket Drug Spending in 2006 - Modeling the Impact of the MMA" November 2004

Seniors Satisfied With Medicare Part D



March-April 2006 Polls Show That Seniors Who Enrolled In a Medicare Part D Prescription Drug Plan Enjoy Savings and Good Coverage - and Signing Up Was Not As Difficult As Critics Claimed

U.S. Chamber of Commerce/The Tarrance Group, April 18-20 & 23, 2006: 800 Registered Senior Voters, margin of error +/- 3.2%.

- Of those in a Medicare prescription drug plan, 72% were self-enrolled and 28% were automatically enrolled
- 63% of self-enrollees viewed the Part D benefit favorably.
- Among the self-enrolled, 78% were satisfied with their current drug coverage.
- 52% of self-enrollees said they are saving money each month compared to what they spent before they enrolled in a Medicare PDP.
- 56% of registered senior voters said the Medicare prescription drug law is a "step in the right direction"; among self-enrollees, 69% said the law is a "step in the right direction"
- 55% of registered senior voters (and 54% of self-enrollees) think politicians who criticize the MMA are just trying to score political points.
- 60% of self-enrollees would be more likely to vote for their Member of Congress who voted for the MMA.

Kaiser Family Foundation/Princeton Survey Research Associates International, April 6-11, 2006: Survey 1,446 adults, margin of error +/- 3%, Tracking poll 517 Seniors, margin of error +/- 5%.

- Among seniors enrolled in a Medicare PDP, 51% said it was easy to choose a plan.
- Among enrolled seniors, 75% were satisfied with their plan.
- Among enrolled seniors, 55% said they expected their plan to save them money.
- Among enrolled seniors who have tried to fill a prescription under a PDP, 82% said they had no problems.

ABC News/Washington Post, April 6-9, 2006: 1,229 adults (including subsample 386 seniors), margin of error +/- 3% (+/- 5% for seniors)

- Among enrolled seniors, 65% approve of the new Medicare Part D benefit.
- 23% of seniors would be more likely to support a candidate who voted for the MMA, while only 14% were more likely to oppose, and 59% no difference.
- 62% of seniors are not enrolled in Part D 38% are enrolled.
 1. Of the enrolled, 74% said they had an easy time enrolling.
 2. Of the enrolled, 63% said they were saving money.
 3. Of the non-enrolled, 69% said it was because they don't need Part D, already have coverage.

AARP/International Communications Research, March 9-April 3, 2006 1,514 Seniors, margin of error +/- 3%.

- Seniors who enrolled in a Medicare PDP participated in this survey 67% said they had used the new benefit in 2006 61% of those estimated saving up to \$150 a month.

- 61% of respondents said they had prescription drug coverage in 2005. Of those, 66% said they thought their new coverage was at least as good or better than their old.
- 53% of enrollees said they saved money
- 78% of respondents said they were satisfied with their drug coverage
- Had Part D not been added to Medicare, 40% of respondents said they would have had to adjust by cutting back on groceries, housing savings, restaurants or medicines.

Medicare Rx Education Network/KRC Research, March 15-20, 2006: 896 Seniors, margin of error +/- 3%

- Among all seniors, 66% said Medicare Part D is a "step in the right direction"; among those in a stand-alone PDP, 75% agreed
- 68% of seniors enrolled in a stand-alone PDP said it was not difficult to sign up.
- 70% of seniors enrolled in a stand-alone PDP said they have received medicines through Medicare. 87% said the benefit worked well for them.
- 67% of seniors enrolled in a stand-alone PDP said they are better off now than before.
- 59% of seniors enrolled in a stand-alone PDP said they have lowered their spending on medications.
- Of seniors enrolled in a stand-alone PDP, 84% said they have access to high quality medicines, 80% said their co-pays are affordable, 76% said their out-of-pocket costs are reasonable; 80% said their monthly premium is affordable; 70% said their annual deductible is reasonable; 70% said their plan covers all the medicines their doctor prescribes.

America's Health Insurance Plans/Ayres, McHerry & Associates, March 6-9, 2006 (Self-Enrollees) 408 Seniors, margin of error +/- 5%; March 6-11, 2006 (Automatic Enrollees) 401 Seniors, margin of error +/- 5%.

1. Among Self-Enrolled Seniors

- 59% said they are saving money.
- 90% regularly take a medication; among these 79% said their plan covers the drugs they need.
- 84% said they had no problems signing up for their plan, and 85% have had no problems using the plan.
- 66% of self-enrolled seniors said the time and effort spent to sign up for a PDP was worth it, and 65% would recommend other seniors sign up.
- 46% think politicians who criticize Part D do so to score political points, and 41% said such criticism makes other seniors less likely to sign up.

2. Among Automatically-Enrolled Seniors (Dual-Eligibles)

- 83% regularly take a medication; among these 80% said their plan covers the drugs they need.
- 90% said they have had no problem using the new benefit
- 35% think politicians who criticize Part D do so to score political points, and 32% said such criticism makes other seniors less likely to sign up

June 21, 2006

“This is a real blessing to have this opportunity.”¹

Medicare Beneficiaries — In Their Own Words

The Medicare Prescription Drug, Modernization, and Improvement Act of 2003 (MMA) represented the most sweeping reform of the Medicare program since its inception in 1965. The MMA created a voluntary prescription-drug benefit within the Medicare program that enables approximately 43 million seniors and younger Americans who suffer from disabilities to better afford the medications prescribed by their physicians.

Health and Human Services Secretary Michael Leavitt set a goal of enrolling 28 to 30 million beneficiaries in the new benefit. Critics predicted that enrollment would fall far short of the Secretary’s goal and cited problems with the education and enrollment of beneficiaries. Yet, at the close of the first open enrollment period on May 15, 2006, more than 38 million eligible individuals were enrolled in the new benefit.²

In implementing a program of this magnitude, it is not surprising that there will be bumps along the way. However, on the whole, the Administration has worked hard to resolve problems quickly and ensure that beneficiaries’ needs are met. The following collection of testimonials from individuals receiving the new Medicare coverage illustrates that, while implementation of the new benefit was challenging, it was, on the whole, a resounding success.

On the enrollment process . . .

“Janece and John Long, lifetime Kaiser Permanente members, said, ‘We haven’t had any of the problems we read about that other seniors are encountering. We have been updated by Kaiser as the new plans have been implemented, and we didn’t have to do anything at all.’”
(*Business Reporter*, January 22, 2006)

“Sharon Tuller of Des Moines was reluctant to sign up because she had heard horror stories about the paperwork. But she learned from a friend about a nonprofit group that made the

¹ *The Spokesman Review*, December 1, 2005.

² Centers for Medicare and Medicaid Services Press Release, “Over 38 Million People with Medicare Now Receiving Prescription Drug Coverage: Millions Getting Better Coverage Than Ever Before,” June 14, 2006.

process painless. She and her husband, a retired school administrator, made an appointment with the group and completed their sign-up in just 20 minutes. ‘We thought it was going to be this horrible experience,’ said Tuller, 66. ‘It turned out to be quite the opposite.’ Retiree Nancy Hooper of Williamsburg, Iowa, 67, worried that the savings from Part D would not be worth the hassle – or the extra premium. But the cost of medications for herself and her husband were reduced by more than half, even after figuring in their \$53.10 monthly premium. ‘I was so happy,’ she said.” (*Washington Post*, March 12, 2006)

“Mary Simms of Lexington used the Internet with the help of a friend. She found a Humana Standard plan that covered the Fosamax and Coumadin prescriptions she needs, and she enrolled online. She ordered her medications by mail, and that went smoothly as well. ‘I’ve been real happy with what I got,’ said Simms, 68, who still works as a nursing assistant. When Simms meets her deductible, she said, her new plan will cost her just \$15 a month, compared with the \$80 she was spending before.” (*Myrtle Beach Sun News*, February 6, 2006)

“Indeed, many seniors report that things went fairly smoothly. Those who signed up early and who had computer skills to help them find the right plan apparently encountered few problems. ‘The entire fiasco is being blamed on one side, but I cannot see the government being responsible for all of this bug — seniors were not doing their part,’ said Robert Mills, a retired heating and air conditioning technician from Redding. Mills, 66, had no previous drug coverage and is now in a plan that costs him \$11.25 a month. Comfortable with computers, he has been helping friends find drug plans. ‘It coughed a bit, but for the mass project they had to do, you’d better pat [Medicare] on the back, because they did pretty good,’ Mills said.” (*Los Angeles Times*, January 22, 2006)

“Dr. James Cavett, 86, a retired internal medicine doctor and former heart surgery patient, said he and his wife were happy with the help they got from a Humana representative. His card arrived promptly, and he believes he’ll be better off with the new coverage, after having paid out of pocket in the past. ‘I’ll be able to change plans next year,’ he tells his pharmacist, Hailey, at Beemon Drugs. ‘I’ll be keeping records . . . We’ll all be experts next year,’ Hailey said.” (*Clarion Ledger* [Mississippi], January 21, 2006)

“But for some senior citizens, the experience hasn’t been so excruciating. For 87-year-old Helen Minard of Athens, signing up for the new drug plan was not hard, although she said she did have help from her daughter in filling out the forms. ‘It wasn’t bad,’ Minard said. Minard, who lives in the Page Manor apartment building, said she has cut her out-of-pocket prescription costs by two-thirds, from \$15 to fill two prescriptions, to \$5 to fill the two drugs.” (*The Daily & Sunday Review* [Pennsylvania], January 9, 2006)

On personal savings as a result of the benefit . . .

“Those who are happy with how Part D is working include Ron and Ann Skwartz of Tucson, who say their coverage is better than they had before. They were skeptical last year. But since Jan. 1, they have spent less money on several of their medications. And drugs not

covered by their health plan last year are covered now. 'We're doing fine. We're saving money,' said Ann Skwartz, a breast-cancer survivor who recently underwent open-heart surgery. The Skwartzes have spent about \$1,600 so far this year on prescription drugs — their costs plus Secure Horizons' — about \$100 a month less than last year." (*Arizona Daily Star*, May 1, 2006)

"Before she had drug coverage, Betty Perez, a 70 year-old retired nurse and AARP volunteer in Chicago, shelled out \$107 in December for the cholesterol-lowering drug Lipitor. Now that she has coverage, through Blue Cross Blue Shield Illinois, she's paying \$40 a month for the medication. 'I'm so happy I signed up,' she says." (*Wall Street Journal*, April 21, 2006)

"Henrietta Sharpe, 82, slashed her prescription drug costs from \$855 a month to \$30 thanks to a free Medicare drug plan consultation at Senior Citizens, Inc. Sharpe, for example, has a monthly income of \$600, not even close to covering the drugs she needs every month for heart problems, high blood pressure and early stages of Alzheimer's disease. 'It almost brings tears to my eyes when I think about the months of struggling and now to see that it's down to \$30,' said her son, B.L. Sharpe. After his mother's consultation, he sent flowers to [the advisor who helped his mother] thanking her for her help. 'You don't know what burden that has lifted from us,' he said." (*Savannah Morning News*, January 25, 2006)

"Bart Bates was a little late in joining the Medicare Part D prescription drug program. The 71 year-old Spring Hill resident enrolled over the phone last week and his coverage is to take effect May 3. He says he's glad he finally did it, because up to now he has been paying for medications out-of-pocket, one of which cost nearly \$300 for 30 pills. 'I'll save a ton and a half,' Bates told U.S. Rep. Ginny Brown-Waite as he waited in line Tuesday morning at the Walgreens on Spring Hill Drive." (*Hernando Today* [Texas], April 18, 2006)

"Joseph Kurek, 65, of Buffalo, who was shopping for Easter, said he was pleased with the coverage after enrolling in a Medicare Advantage plan, offered as part of a Medicare health maintenance organization. Instead of paying around \$30 a month for each of five prescriptions, he now pays about \$7 per prescription, plus a \$250 deductible. It adds up to saving about \$500 a year. 'That's very nice, especially if you're living on a fixed income,' he said." (*Buffalo News*, April 14, 2006)

"Donald Santmyer, 71, of Morrell Park, said he now pays \$370 a month for five medications. But after signing up for a plan, he said, his monthly premiums and co-payments wouldn't be much more than \$100. Santmyer said he was signing up so close to the deadline because he had recently retired from his job as a construction foreman. And Ruby Griffin, of Lansdowne, who declined to give her age, said she had learned that she qualified for a moderate-income subsidy, and could expect to pay only \$350 a year, instead of the \$200 a month she had been shelling out. 'I feel a little relieved,' she said as she finished signing up." (*Baltimore Sun*, April 12, 2006)

"[John] Pavlik, who has been paying about \$200 per month on his prescriptions, could save about \$133 per month, or almost \$1,600 per year, Humana representative Vincent Pecora

told him. ‘I would have been satisfied with half off!’ Pavlik said.” (*Beaumont Enterprise* [Texas], February 14, 2006)

“[Ann] Stokes has signed up and is pleased with the plan she got. ‘AARP sounded easy, so I signed up,’ Stokes said. She was able to continue getting her prescription drugs by mail order, although that is not required, and the three-month prescription for one drug alone dropped from \$105 to \$55. ‘That was wonderful,’ she said. Her monthly premium is \$29.06, and AARP’s plan has coverage for the gap.” (*Madison Courier* [Indiana], January 25, 2006)

Averil and Gil Savery reported, “We estimate that our total savings over non-discounted, no-insurance prices will be approximately \$5,000 annually. This year we will save about \$2,700 more than we did with our prescription discount cards we’ve used for the past year and a half. These cards are discontinued. With savings like this, the journey was well worth our time and effort. Now we eagerly await the arrival of our Medicare prescription drug cards.” (*Lincoln Journal Star* [Nebraska], February 15, 2006)

“Advising eligible people has been rewarding, [Cissy] Pearson, [outreach coordinator for North-central Alabama Regional Council of Governments] said. When one person learned her monthly cost would be \$28, she replied, ‘Which drug?’ It was for all of them. Another person saw the drug costs go from \$4,300 to \$800 through available supplementary assistance from Social Security, she said.” (*Decatur Daily News* [Alabama], January 3, 2006)

On being grateful for the benefit . . .

Marla Green writes: “I am glad to communicate that the new Medicare program is a godsend to us. I was probably among one of the first customers to use this for my mother. The pharmacist at our CVS drugstore recommended that I research the program online, as the brochures only added to my dread and confusion of the entire application process. Online was easy and very direct. I listed the numerous medications and it was easy to make a selection prior to January 1. I was in the store upon opening on New Years Day. To my surprise, my mother saved money on so many of her medications. I am usually not one to vocalize, but I hope for other senior citizens’ sake that they have relatives that can take a few minutes to register online. Really, it was easy.” (*Wall Street Journal*, Letter to the editor, January 10, 2006)

“And many of them like Lottie Evans are excited about it. ‘I’ll use it on January 9th. That’s when my prescriptions will be refilled and I can’t wait (laughter) to see my savings.’ Lottie is one of a million people who qualify for extra help who’ve signed up for the program. Now she has a card that will get her five prescriptions for two or five dollars each. ‘It feels really good. I get a big sense of relief because this just helps so much. I just really, I’ll sleep better tonight,’” she says. (*KSLA-TV News 12* [Shreveport, LA], January 2, 2006)

Julie Watters of Castro Valley, California writes, "To the Editor: While no fan of the current administration, I have to say thank heaven for Medicare's new drug benefit. My mother's Social Security checks will be roughly \$500 a month because of a recent increase. She has no pension benefits but is unable to qualify for Medicaid because she sold her house a few years ago and has some money in the bank. My mother's drugs for mental illness and dementia were costing her about \$850 a month. Every month when I refilled her prescriptions I wondered how long her money would last. Now, she has qualified for a low-income benefit and was automatically enrolled in a prescription plan. When I was told that her drug cost would now be \$16 a month, I cried and cried. The plan is working for some people." (*New York Times*, Letter to the Editor, January 15, 2006)

"And the program is already working fine for Orting resident James Martin, 55. Under his Cignature drug plan, he paid \$30 this week for a month's supply of the heartburn pill Prevacid after paying \$280 in the past. 'I am saving quite a bit,' Martin said. 'I just wish' the program 'would have been done sooner.'" (*Tacoma News Tribune* [Washington], January 9, 2006)

On the smoothness of the transition to the benefit . . .

"Many beneficiaries are happy, finding that their coverage works smoothly and saves them significant amounts of money. The coverage fills a huge gap for Medicare's elderly and disabled beneficiaries, who previously got no help from the government to pay for most drugs. Beth Oscanyan, who lives near Philomont, Va., says she and her husband were surprised at how quickly their coverage was activated, and that they saw substantial savings with their drug plan from Humana. 'It is exactly what we hoped for,' Ms. Oscanyan says. Michelle Elliott, a beneficiary in Port St. Lucie, Fla., who has a drug plan from UnitedHealth and AARP, says she is 'thrilled' by the savings." (*Wall Street Journal*, January 25, 2006)

"There is going to be a certain amount of confusion,' said Elsie Belisle, a senior on Medicare who also volunteers to help people enroll in Medicare Part D at St. Vincent de Paul Thrift Store in Boise. 'The insurance companies and Medicare have been so swamped that I'm not at all surprised there was a glitch . . . people are just going to have to be patient.' Belisle got her prescriptions filled under the Medicare coverage earlier this week and said 'there was no problem.' She wouldn't disclose how much she is saving on her medications now except to say, 'I'm saving a lot.'" (*Idaho Statesman*, January 9, 2006)

"Many seniors, though, are delighted with the new program. Rose Marie Clark is one of them. At first she was one of those 'glitches.' She and her husband joined the BlueCross BlueShield of Illinois plan at the same time, but while he received his acknowledgement letter, hers was missing. She contacted Blue Cross customer service, and the problem was quickly resolved. Clark went to her pharmacy this week and gave me a delighted report: 'I normally spend \$538 for a three-month supply of my drugs. But this time it cost only \$278. And these weren't even generic drugs.' Previously, she had no prescription drug coverage.

And even with her \$27.77-per-month premium, she figures she'll come out far ahead, saving at least \$700 this year on the drugs she takes." *TheStreet.com*, January 10, 2006)

"Dolores Powell of Metuchen reports a positive first experience filling her medications through her new United HealthCare plan that's administered by AARP. 'So far, so good,' the 78 year-old said. Powell has attended three seminars since October to help her understand the program. She also conducted her own research. 'I read multiple publications, everything that was sent to me and then some, to make up my mind,' she said. Two weeks ago, Powell put her new drug-coverage plan to the test. 'I needed two prescriptions filled,' she said. 'I went with trepidation to my drug store, and it was not a problem at all.' Powell said the informational seminars helped her make a decision. 'The three experts expressed themselves simply so that we could grasp what they were saying,' she said. 'And the way they (presented) the information was excellent.'" (*Home News Tribune* [New Jersey], January 30, 2006)

On paying less under Medicare than in Canada . . .

"Retired furniture store owner Don Brock quit buying prescription drugs from Canada this year, now that he's signed up for the new federal Medicare drug benefit. The next time he needs a refill on Lipitor, his daily anti-cholesterol drug, Brock will go to a pharmacy near his home in Litchfield [Minnesota]. The 74 year-old says he was saving about \$300 annually buying Canadian; now, he figures he'll save about \$500 buying through Medicare. 'Medicare Part D won't pay for any drugs out of the country, so I've had to stop that,' said Brock, who bought Canadian drugs for more than two years. 'I am saving money on this.'" (*The Canton Repository* [Ohio], February 22, 2006)

"Eighty year-old John Bennett quit buying his medicines from Canada this year. He found out that for a \$16.32 monthly premium, he could sign up for a Medicare drug plan and get his most expensive drug at his neighborhood pharmacy for \$30. He had been paying more than \$70 a month for the same drug through a Canadian supplier. 'That seems good to me,' Bennett said. It seems good to others across the country as well.'" (*Springfield News-Leader* [Missouri], February 22, 2006)

"Theo Afman said he's had enough of picking up the paper and reading about people who have had problems with the new Medicare prescription drug plan. 'It's always negative,' he said. 'Let me put my two cents in. There are things that really work. This is one of them.' Afman, 75, and his wife, Jean, 72, used to make regular trips to Abbotsford [British Columbia], so they could save money on their 11 prescriptions. Since signing up for a prescription drug plan through the new Medicare program, the Everett couple simply walk to their mailbox to get their pills. That short walk saves them about \$340. 'I couldn't believe it,' Theo Afman said. 'Better than \$700,' he said, which they previously were paying every three months for his blood pressure and cholesterol medications and her prescriptions for diabetes. 'We're really happy with it,' he said.'" (*Everett Daily Herald* [Washington], February 10, 2006)

Calvin Null of Balwin, Missouri writes, “The new Medicare prescription drug plan doesn’t appear to be at all a mess. I made my selection Dec. 31 and just received my first prescriptions from my provider. Given the short period of time it took to get into the system and the fact that my prescriptions were mail-order, I’m quite impressed with the efficiency. I selected Advantra, based on information on the government’s Medicare website. The reason I ordered by mail is that the co-pay is reduced by one-third when a customer orders for three months at a time. My actual savings comes to more than \$100 per month — much better than buying from Canada, which I did for awhile.” (*USAToday*, Letter to the Editor, January 24, 2006)

With the cooperation of seniors, disabled individuals, insurers, pharmacists, physicians, and representatives from federal, state, and local governments, the Medicare prescription-drug benefit has met its goal of providing Medicare beneficiaries a reliable, affordable means of accessing their prescription drugs.

RPC Staff Contact: Jennifer M. Sincavage, Health Policy Analyst/Counsel, 224-2946

United States Senate

WASHINGTON, DC 20510

S. 2810, THE MEDICARE LATE ENROLLMENT ASSISTANCE ACT

MAY 26, 2006

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Martinez
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Shelby
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Dear Colleague:

We urge you to join us in cosponsoring S. 2810, the Medicare Late Enrollment Assistance Act. This bipartisan legislation would provide a one-time waiver of the late enrollment penalty in 2006 under the Medicare prescription drug program. In addition, the bill provides an additional \$18 million in funding for outreach and education efforts conducted by State Health Insurance Information Programs (SHIIPs) and Area Agencies on Aging (AAA).

Under current law, beneficiaries who chose not to enroll in the Medicare prescription drug benefit by May 15 will have to pay an additional 7 percent in monthly premiums if they enroll in the program at a later date. Waiving the late enrollment penalty for 2006 will offer these beneficiaries a second chance to enroll penalty free during the next open enrollment period that begins November 15.

Some beneficiaries who could use drug coverage and some who would be eligible for the low-income subsidy did not enroll. Unless it's waived, the late enrollment penalty could further discourage these beneficiaries from joining during the next enrollment period.

Several opinion pieces endorsing the waiving of the late enrollment penalty have appeared in newspapers around the country. A May 24, 2006 opinion piece in the *Arizona Star* stated: "The Senate should accelerate action on a bill to waive the penalty fee for senior citizens...the Medicare penalty fee must be withdrawn."

We are working diligently to accomplish that goal and hope that you will join us in this important effort by cosponsoring S. 2810. If you have any questions, or would like to cosponsor S. 2810, your staff can contact Colette Desmarais (Grassley) or Shawn Bishop (Baucus) at 224-4515.

Sincerely,

Charles E. Grassley

Max Baucus

Mike DeWine

Bill Nelson

S. 2810, THE MEDICARE LATE ENROLLMENT ASSISTANCE ACT

Summary

- 1. Eliminates the late enrollment penalty for 2006.**
- 2. Provides an additional \$13 million for State Health Insurance Information Programs and an additional \$5 million for Area Agencies on Aging to provide beneficiaries assistance in enrolling in Part D.**

Funding will be distributed based on number of rural beneficiaries and beneficiaries eligible for the low-income subsidy.

- 3. The cost of these provisions is offset by a reduction in the stabilization fund. The bill is fully offset over 5-years and 10-years.**

Organizations that Support Waiving the Medicare Prescription Drug Late Enrollment Penalty in 2006

AARP

**American Diabetes Association
Alzheimer's Association
American Autoimmune Related Disease Association
Asthma and Allergy Foundation of America
Cystic Fibrosis Foundation
Epilepsy Foundation
Lupus Foundation of America
Men's Health Network
National Alliance of Mental Illness
National Council of Community Behavioral Healthcare
National Family Caregivers Association
National Grange of the Order of Patrons of Husbandry
National Health Council
National Osteoporosis Foundation
The AIDS Institute
The Arc of the United States
United Cerebral Palsy
WomenHeart: National Coalition on Women with Heart Disease**

OPINION PIECES IN FAVOR OF WAIVING THE MEDICARE PRESCRIPTION DRUG LATE ENROLLMENT PENALTY IN 2006

"A bipartisan group of senators is right to push to eliminate the financial penalty for those who enroll in the drug plan late...and for good reasons..." *Louisville Courier-Journal (May 19, 2006)*

"Lawmakers in both parties should pursue plans to waive the lifetime penalties for people who failed to sign up..." *Kansas City Star (May 18, 2006)*

"Congress and the White House should allow for sign-ups without penalty when enrollment reopens in November." *Knight Ridder News Service (May 17, 2006)*

"The goal is to convince every eligible senior to sign up for this landmark program, Congress should consider every reasonable means to do so...that means waiving the penalties for late signers...at a minimum, it's worth discussing." *Boston Herald (May 22, 2006)*

"Now that the deadline has passed, Congress should waive the penalty because it unduly harms senior citizens." *Seattle Times (May 18, 2006)*

"Seniors not only deserve a break; they earned it... That's more than enough reason to waive penalties..." *Ventura County Star (May 19, 2006)*

"Congress should not penalize seniors who failed to meet the enrollment deadline due to the complexity and confusion of the new program." *Waco Tribune (May 16, 2006)*

"Given the number of glitches in the start-up of the Medicare prescription drug plan, there is no need...to compound them by imposing a penalty on those who failed to sign up by the May 15 deadline." *New Haven Register (May 17, 2006)*

"The least Congress can do is lift the penalty for those who missed Monday's enrollment deadline." *Kalamazoo Gazette (May 17, 2006)*

"...Such a waiver seems the obvious and fair thing to do..." *The Oregonian Newspaper, (May 12, 2006)*



FOR IMMEDIATE RELEASE
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(202) 479-6975

Contact: CMS Public Affairs
(202) 690-6145
NCOA Communications

AoA Press Office
(202) 357-3507

NEW WEB SERVICE HELPS MEDICARE BENEFICIARIES WITH LIMITED MEANS GET MORE HEALTH CARE ASSISTANCE

Includes Assistance with Enrolling in Extra Help for the Medicare Drug Benefit And State Medicaid Benefits and Other Assistance Programs

A new web-based service will help Medicare beneficiaries of limited income and resources gain access to the extra help available to them through the Medicare Modernization Act of 2003. The service, which will also help them enroll in other health care and prescription drug assistance programs, was developed by the Administration on Aging (AoA) with the assistance of the Centers for Medicare & Medicaid Services (CMS) and the National Council on the Aging (NCOA).

“This new resource helps bring together many assistance programs available to seniors who need the most help – and that includes the comprehensive extra help with drug costs that will soon be available for up to one third of Medicare beneficiaries through the new Medicare drug benefit,” said Mark B. McClellan, M.D., Ph.D., administrator of the Centers for Medicare & Medicaid Services. “Through this partnership, we have taken another important step forward in our goal of providing better healthcare and more help to America’s seniors.”

The new service is a special version of BenefitsCheckUpRx updated for the extra help with Medicare drug coverage. It is available at <http://www.BenefitsCheckUp.org/rx>. BenefitsCheckUpRx will help older adults and the advocates who work with them take advantage of the Medicare low-income subsidy, the comprehensive extra help that covers 95 percent of drug costs on average for people with Medicare who have limited means. Applications are available now and altogether, about one in three Medicare beneficiaries are eligible for the extra help. The new service screens beneficiaries for eligibility and then provides a quick link to applying online for the extra help through the Social Security Administration’s Web site. At the same time, it helps seniors and those who work with them apply for other needs-based government programs including the Medicare Savings Programs and other federal, state and private programs that can save seniors money.

“AoA, CMS and NCOA share the same vision,” said Josefina Carbonell, assistant secretary for Aging at the Department of Health and Human Services, in remarks during the national meeting of the National Association of Area Agencies on Aging today. “We see a national network of community-based organizations using BenefitsCheckUpRx to help people with limited incomes enroll in the new Medicare Prescription Drug coverage and to ultimately enroll in other federal benefits programs.”

“Through this unprecedented partnership, we expect to be able to reach and enroll many more seniors in both the extra help available from Medicare and with other needed benefits,” said James Firman, Ed.D., NCOA president and CEO. “For NCOA and for BenefitsCheckUp, this is major milestone. Everyone with Medicare who may be eligible for the extra help with drug coverage should enroll as soon as possible, and this new tool will help make that happen.”

Using BenefitsCheckUpRx, people with Medicare can get help learning about and applying for the Medicare low-income subsidy if they are eligible, as well as learn about how to enroll in various programs, including state pharmacy assistance programs, private company patient assistance programs, veterans and TRI-CARE benefits, Medicaid, Medicare Savings Programs (QMB, SLMB, QI), Supplemental Security Income, and the Medicare-approved drug discount cards can be obtained through December 2005. The tool is confidential: no one is required to enter their name, address, phone number, or Social Security number until they enroll.

Next year, Medicare beneficiaries who receive full Medicaid benefits or who are enrolled in a Medicare Savings Program (MSP) will automatically receive the extra help with their prescription drug costs. That extra help provides comprehensive drug coverage with no premiums, no deductibles, very low copays and no gaps in coverage. States have the flexibility in deciding what rules to use when determining eligibility for their Medicare Savings Program beneficiaries, which means that these requirements can vary considerably from state to state. To help clarify the differences among states’ eligibility criteria, CMS has information showing how those criteria differ from state to state and how beneficiaries can use that information to determine their eligibility for extra help at www.cms.hhs.gov/medicarereform/states/whatsnew.asp In addition, the new BenefitsCheckUpRx incorporates state-specific income and asset eligibility requirements into its on-line screening tool.

The NCOA has also created a special organizational version that will provide training and ongoing customer support for Area Agencies on Aging, State Health Insurance Assistance Programs, State Units on Aging, and other local agencies that serve seniors and persons with disabilities.

The Vast Majority of Beneficiaries are Not Exposed to the Medicare Drug Benefit's Coverage Gap

Contrary to earlier estimates reported, most Medicare beneficiaries will not be exposed to the coverage gap. According to new data from PriceWaterhouseCoopers, only 8 percent of beneficiaries are likely to reach the coverage gap.¹

PriceWaterhouseCoopers research shows that 92% of Medicare beneficiaries will not enter the Medicare drug benefit's coverage gap.²

- 45% of all Medicare beneficiaries will not be exposed to the coverage gap because: they are eligible for low-income subsidies and therefore are not affected by the coverage gap; they have annual drug spending below \$2,250 and will not reach the coverage gap; or they have chosen "enhanced" Part D plans that provide some prescription drug coverage in the coverage gap.
- 47% have prescription drug coverage from plans outside of Medicare Part D or have not yet enrolled. (37.5% are enrolled in Veterans Affairs and other federal programs, or employer sponsored programs, etc., and 9.7% have not yet enrolled in a Part D program.)

The majority of Medicare beneficiaries who enter the coverage gap spend \$1750 or less in the gap. Of those who reach the gap:

- 34% will spend under \$750 in the gap;
- 58% will spend under \$1,750;
- 30% spend through the gap to reach catastrophic coverage³

Those who are exposed to the coverage gap will benefit from discounted prices for drugs because plans have negotiated substantial discounts from retail prices. Plan sponsors negotiate with manufacturers to obtain price concessions in order to achieve lower costs for prescription drug coverage.

- On average, CMS found that beneficiaries would save up to 23% in the PDP with the lowest prices – off the prices they would have paid without coverage.⁴
- CMS found that the PDP with the lowest premium offered drug prices averaging 13% below the price for a cash paying customer.⁵

Every Medicare beneficiary enrolling in a drug plan is protected against catastrophic expenditures. Although many prescription drug plans have a coverage gap, every plan is required to protect beneficiaries against catastrophic drug costs. Every plan covers at least 95% of all drug costs above \$5,100 per year for every beneficiary. For those who qualify for low-income subsidies, the out-of-pocket costs are much less.

Beneficiaries have access to plans that reduce or eliminate the coverage gap.

According to CMS data, four of the 10 sponsors of national stand-alone prescription drug plans offered coverage in the gap. In addition if a beneficiary finds themselves exposed the gap, they will have a chance during the next annual enrollment period to select a plan that best meets their needs.⁶

Source: Senate Republican Conference, Health Care Working Group

1 PriceWaterhouse Coopers, June 2006; "Significance of the Coverage Gap Under Medicare Part D"; <http://www.medicaretoday.org/pdfs/HLCBrief.pdf>

2 Ibid

3 Ibid

4 Centers for Medicare and Medicaid Services, CMS News, "Medicare Advantage Plans Provide Lower Costs and Substantial Savings," April 3rd, 2006 (found at <http://www.cms.hhs.gov/media/press/release.asp?Counter=1825>)

5 Ibid.

6 Medicare Drug Focus Weekly Business Intelligence, "A Closer Look: Drug Plan Designs of the 10 National Part D Sponsors"; October 17, 2005, Volume 01, Number 005

Sample Column On: The “Donut Hole”

You may hear the strange phrase “donut hole” used in the media over the next few months in the on-going coverage of the new Medicare prescription drug program. What does it mean and what does it have to do with the new drug program which is off to having enrolled more than 38 million Medicare beneficiaries into the first ever comprehensive federal program to provide prescription drug coverage?

Here are some basic facts you’ll need to know to figure out if it will impact you and, if so, how.

According to Medicare, under the standard plan a beneficiary pays a monthly premium and is responsible for drug costs meeting a deductible usually around \$250. For the next \$2,000 in drug costs, the beneficiary pays 25 percent (\$500) and the plan pays 75 percent (\$1,500). If the beneficiary spends \$2,250 on prescription drugs in one year, that’s when the beneficiary has reached the “donut hole.”

That means, if the beneficiary needs more prescription drugs beyond the \$2,250 he or she will have to pay the medicines themselves until they have reached \$5,100. At that point, however, the catastrophic benefit kicks in and the plan will pay 95 percent of drug costs and the beneficiary only 5 percent for the rest of the year.

It is also important to know that the majority of Medicare beneficiaries will never be exposed to a gap in coverage, or donut hole, at all. In fact, according to a recent Healthcare Leadership Council study, only about 8 percent of all beneficiaries will have some spending in the coverage gap during 2006. Additionally, low-income beneficiaries -- a group that makes up about 23 percent or 10 million of all Medicare beneficiaries enrolled in the new prescription drug program -- will not face any gap in their coverage, at all.

The small percentage of those who do find themselves in that coverage gap should find comfort in knowing that they are still saving money on the price of their prescription drugs because they’re paying the plan’s negotiated discounted prices for medicines. Plan competition has driven down prices 13 percent to 23 percent below the price that a cash-paying customer would pay, according to the Medicare agency.

In addition, in every state, beneficiaries have a plan available that covers the “donut hole.” There are even national plans that can cover the gap if you think it will affect you. For those who anticipate high prescription drug costs, it makes sense to consider one of these plans.

Any beneficiary worried about getting stuck in the “donut hole” can always speak with a Medicare counselor at 1-800-Medicare (1-800-633-4227).

Again, the good news is that Medicare now includes more comprehensive coverage to help keep America’s seniors healthier. People are seeing their drug costs go down and they have drug coverage that is guaranteed for life.

WHAT IS THE IMPACT OF THE “DOUGHNUT HOLE?” FEWER THAN 1 IN 10 BENEFICIARIES WILL ENTER MEDICARE DRUG BENEFIT COVERAGE GAP & PAY FULL DRUG COSTS OUT-OF-POCKET

*Beneficiaries With Spending in the Coverage Gap Who Had No Prior Drug Coverage
Will Still Have Average Savings of \$2,000*

WASHINGTON, D.C. – New research released today shows that approximately 8 percent of Medicare beneficiaries will find themselves fully responsible for all prescription drug costs they incur in the coverage gap under the Medicare prescription drug benefit.

The new study, prepared by PricewaterhouseCoopers, LLP and commissioned by the Healthcare Leadership Council, shows that more than 90 percent of Medicare beneficiaries will either not reach the coverage gap or will have at least some coverage available to them in the gap. Under the law that created the Medicare Part D prescription drug coverage, annual out-of-pocket drug spending between \$2,250 and \$3,600 is not covered by the standard Part D benefit.

According to the PricewaterhouseCoopers research, Medicare beneficiary drug spending and coverage breaks down as follows:

- Thirty-eight percent of beneficiaries have prescription drug coverage from plans outside of Medicare Part D.
- Twenty-three percent will be eligible for low-income subsidies, and therefore not affected by the coverage gap.
- Sixteen percent will have annual drug spending below \$2,250 and will not reach the coverage gap.
- Ten percent are not enrolled in a Part D program and have no other drug coverage.
- Six percent have chosen “enhanced” Part D plans that provide some prescription drug coverage in the coverage gap.
- The remaining 8 percent will have some spending in the coverage gap during 2006.

“This research does underscore the importance of letting prescription drug plans compete on the basis of cost and value,” said Mary R. Greal, president of the Healthcare Leadership Council, a coalition of chief executives of many of the nation’s leading healthcare companies and organizations. “A single government one-size-fits-all program would not have offered options to cover the so-called ‘doughnut hole.’ Because we have choice and competition, over two million people are taking advantage of that extra coverage.”

According to the PricewaterhouseCoopers research, roughly one-third of the Medicare beneficiaries who enter the coverage gap will have spending in the gap of less than \$750. Another 24 percent will have spending in the gap of less than \$1,750.

Based on average prescription drug spending levels, the study shows that Medicare beneficiaries with spending in the gap and no previous prescription drug coverage will still have approximately \$2,000 in cost savings during 2006.

“Whether the coverage gap continues is, of course, an issue for Congress to wrestle with,” Ms. Greal said. “But we shouldn’t lose sight of the fact that the majority of those who have coverage gap spending will still be considerably better off than they were before the enactment of the Medicare drug benefit.”

The PricewaterhouseCoopers study was released at a June 15 Washington, D.C. forum, “Medicare Today and Tomorrow: A Look at Part D and the Program’s Future,” sponsored by the Healthcare Leadership Council.

Significance of the Coverage Gap Under Medicare Part D

June 15, 2006

Introduction

The gap in coverage between spending levels of \$2,250 and \$3,600 in true out-of-pocket spending is one of the most discussed aspects of the new Medicare Part D prescription drug benefit. The Healthcare Leadership Council engaged PricewaterhouseCoopers to analyze the drug spending patterns and insurance coverage characteristics of Medicare beneficiaries. The purpose of this brief is to assess the impact of the coverage gap of Medicare Part D on Medicare beneficiaries.

Overall, we estimate that only 8 percent of Medicare beneficiaries, or 3.4 million, will be fully responsible for any expenditures in the coverage gap under Part D. On average these individuals will have more generous drug coverage under Part D and therefore fare better than they would have in its absence.

Background

Under Medicare Part D, enrollees in a standard plan would be subject to the following benefit structure:

- Deductible = \$250
- Front-End Benefit = 25 percent coinsurance for drug costs up to an initial coverage limit of \$2,250 in total drug spending
- Coverage Gap = 100 percent coinsurance between \$2,250 total drug spending and \$3,600 out-of-pocket (OOP) spending, or \$5,100 of total spending assuming no supplemental coverage
- Catastrophic Benefit = greater of \$2 generic/\$5 brand copayments or 5 percent coinsurance after \$3,600 in out-of-pocket spending (\$5,100 in total spending assuming no supplemental coverage)

These features of the Medicare drug benefit translate into different levels of cost sharing at different spending levels. Sometimes the cost sharing for a dollar of spending is 100 percent, and at other times only 5 percent. On average, however, the prescription drug benefit package pays for about 53 percent of prescription drug costs for non-low-income beneficiaries, and most Medicare beneficiaries fare better under this benefit compared to their previous coverage. (Low-income beneficiaries have a higher percentage of their costs covered.)

Number of Medicare Beneficiaries Who Enter the Coverage Gap

Most Medicare beneficiaries will not face the coverage gap. Many continue to receive coverage through plans outside of Part D which do not feature a coverage gap. At the same time, many of those enrolled in Part D plans have low incomes that qualify them for coverage without a gap. Other Part D enrollees are in enhanced plans that provide at least some coverage in the gap. Finally, of those who are enrolled in Part D plans with a coverage gap, many are not subject to the gap because they will have prescription drug spending below the threshold. These subgroups are described in more detail below and illustrated in Chart 1 on page 4.

About 38 percent of Medicare beneficiaries (as shown in Chart 1) obtain their prescription drug coverage from plans outside of Part D and therefore are not subject to the coverage gap:

- According to CMS, about 6.9 million Medicare beneficiaries are enrolled in employer-sponsored plans that are eligible for the retiree drug subsidy (RDS).
- About 3.3 million are enrolled in VA and other federal programs that are considered “creditable” coverage in place of Medicare Part D.
- About 3.5 million receive coverage under the Federal Employees Health Benefit program or the TRICARE program.
- Another 2.5 million Medicare beneficiaries are enrolled in employer plans that are not part of the RDS program.

After accounting for those who have the sources of coverage listed above, PricewaterhouseCoopers estimates that 22.7 million, or 52.7 percent of all Medicare beneficiaries, will be enrolled in Part D during 2006.¹ Of those who enroll in Part D:

- About 10 million, or 23 percent of all Medicare beneficiaries, will be eligible for the low-income subsidies and may apply for low-income subsidies at any time during 2006 without being penalized.
- About 2.4 million, or 6 percent of all beneficiaries, have chosen “enhanced” Part D plans that provide some coverage in the coverage gap. (Some enhanced plans only offer partial coverage between \$2,250 and the catastrophic benefit, for instance, covering only generic drug spending.)
- Of those remaining, 7 million, or 16 percent of all beneficiaries, will have spending below \$2,250 and therefore never reach the coverage gap.
- The remaining 3.4 million Part D enrollees, or about 8 percent of all beneficiaries, will have some spending in the coverage gap during 2006.

An additional 4.2 million beneficiaries are not enrolled in Part D. Almost three-fourths of these individuals would either qualify for the low-income subsidy or have spending less than \$2,250 and therefore would not face the coverage gap if they did enroll. If the entire non-enrolled group were to enroll in Part D plans, another 1 million individuals would face the coverage gap.

¹Most beneficiaries are not allowed to enroll after May 15 but low-income beneficiaries may continue to enroll until the end of the year. We adopt CMS assumptions regarding total enrollment. Part D coverage includes enrollment in both stand-alone PDPs and MA-PD plans.

Characteristics of Coverage-Gap Population

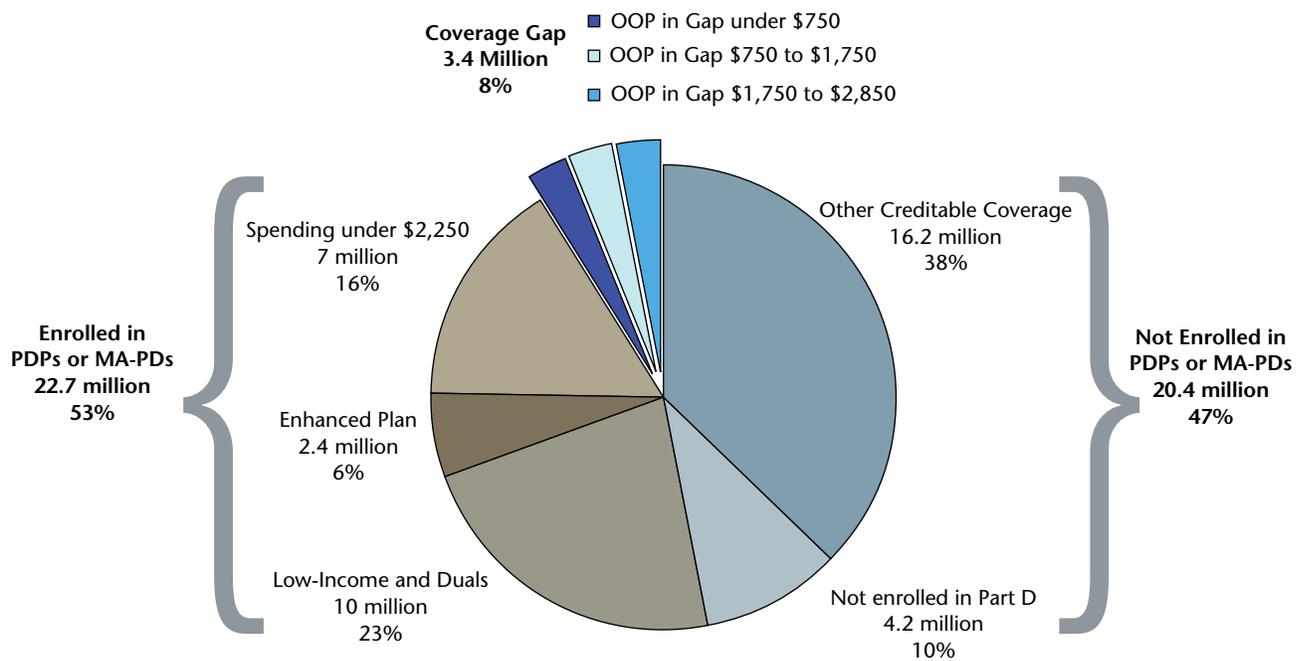
The 3.4 million Medicare beneficiaries who fall into the coverage gap and do not have gap-filling plans are by definition not low-income. We estimate that prior to the establishment of Part D, 54 percent had no prescription drug coverage and the remainder typically had coverage less generous than the standard Part D plan.

The drug spending of the group in the coverage gap may be summarized as follows:

- More than 70 percent of Medicare beneficiaries who enter the coverage gap do not hit the catastrophic threshold of \$3,600 (spending under \$2,850 in the gap).

- About 34 percent of Medicare beneficiaries who enter the coverage gap have spending in the coverage gap below \$750 (or total out-of-pocket spending of less than \$1,500); another 24 percent are below \$1,750 in the gap (less than \$2,500 in total out-of-pocket spending).
- Total prescription drug costs for those in the coverage gap are, on average, about \$4,815; average out-of-pocket spending is \$2,529.

Chart 1: Drug Spending of Medicare Beneficiaries, by Coverage



- Based on this average level of spending, Medicare beneficiaries with spending in the gap and no previous prescription drug coverage would save about \$2,000, after accounting for premium costs.
- About one-quarter of Medicare enrollees with spending in the gap who are ineligible for the low-income subsidies, or 850,000, would have incomes below 200 percent of poverty.²
- Medicare beneficiaries who previously had other prescription drug coverage would, on average, spend less out-of-pocket under Part D as well. For example, Medicare beneficiaries, who previously enrolled in

Medigap J plans and whose spending is higher than \$2,250, would have \$200 less out-of-pocket spending under Medicare Part D—average out-of-pocket spending of \$2,529 under Medicare Part D compared to \$2,729 under a Medigap J plan. The premium component of Medicare J is about \$800 per year more than the Medicare Part D premium, making the overall savings even larger.³

- This analysis does not adjust for beneficiaries who receive assistance from State Pharmacy Assistance Programs, which may further reduce spending in the coverage gap for some Part D enrollees.

²Based on figures from the Congressional Budget Office, July 2004.

³Medicare beneficiaries pay 100 percent of the premium costs for the Medicare J plans but only 25.5 percent of the full premium costs for Medicare PDPs. The drug component of the Medigap J premium is approximately \$100 per month, compared to an average of \$32 for Medicare Part D.

Assumptions

The figures above incorporate the most recent enrollment data from CMS as well as the CMS prediction of eventual enrollment in Medicare Part D. Of the total Medicare population of 43 million, overall enrollment in Medicare Part D (stand-alone PDPs and MA-PD plans) is expected to be approximately 22.7 million.⁴ Another 16.2 million will have other creditable coverage, including 10.4 million with coverage through employers who will receive the Part D retiree subsidy.⁵ Overall, approximately 90 percent of the Medicare population will have creditable coverage or choose to join a Part D plan. Health insurance coverage that is not included in the most recent CMS releases was based on CBO estimates of prescription drug coverage of Medicare beneficiaries.

Neither CMS nor CBO has released any official estimates of the number of Medicare beneficiaries with enhanced coverage that fills in and reduces out-of-pocket spending in the coverage gap. Recent information shows that 10 percent of PDPs and 27 percent of MA-PDs include some enhanced coverage in the coverage gap.⁶ The enhancements vary

from identical coverage above and below \$2,250 to only covering generics drugs in the coverage gap. Based on overall enrollment patterns in PDPs and MA-PDs and the above percentages of plans offering enhanced coverage, we assume that about 15 percent of beneficiaries will have enhanced coverage in the coverage gap.

The level and distribution of spending by Medicare beneficiaries is based on claims data that have been calibrated to match CBO's published assumptions about prescription drug spending. Spending levels reflect changes in demand caused by changes in coverage levels and average discounts under Part D. The share of the population facing the coverage gap has been calculated based on the distribution of those Medicare beneficiaries participating in Part D but not eligible for the low-income subsidies.⁷ Even after accounting for induced demand, the average spending level of this population is considerably lower than that for the overall Medicare population.⁸ The lower average spending results in fewer of these individuals reaching the coverage gap.

⁴The enrollment of 22.7 million includes two million who are expected to enroll after the May 7, 2006 CMS figures.

⁵Includes FEHBP and TRICARE.

⁶Based on information from CMS, cited in "Price and Formulary Design Play Key Role in Part D Enrollment Pattern," *Inside Health Policy.com*, April 25, 2006.

⁷Enrollees potentially exposed to the coverage gap includes: beneficiaries who are not dually eligible for Medicare and Medicaid; those without other creditable coverage; those who do not purchase enhanced plans; and those who are not eligible for low-income subsidies.

⁸This population consists mainly of individuals who were self-insured prior to Part D. Average spending of this population is significantly lower than the overall Medicare population. See, for example, Kaiser Family Foundation, "Medicare and Prescription Drug Spending Chartpack," June 2003.

Conclusion

The impact of the coverage gap on Medicare beneficiaries has been overstated in many descriptions of the new Medicare prescription drug program. After accounting for the additional coverage to which many Medicare beneficiaries have access, only about 3.4 million, or 8 percent of Medicare beneficiaries,

will have spending in the coverage gap. Even if we confine our analysis to those individuals who have uncovered spending in the coverage gap, we find that, on average, they fare better under Medicare Part D than they would have in its absence.

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Democrats on Medicare – Three Years Late, No New Plan

‘Their proposal would simply put seniors back on the old central command approach to Medicare’

WASHINGTON—*U.S. Sen. John Cornyn (R-Texas), member of the Joint Economic Committee, made the following statement Tuesday regarding the Democrat leadership’s ‘plan’ for the prescription drug benefit under Medicare—three years after Congress passed the legislation and long after 30 million seniors have benefited from the voluntary program:*

“Three years after a bipartisan majority passed Medicare reform, the Democrat leadership finally has a plan for Medicare. But their ‘plan’ isn’t new: Their proposal would simply put seniors back on the old central command approach to Medicare.

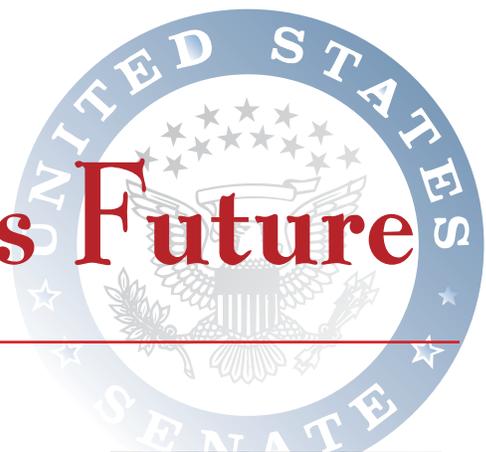
“Maybe if the Democrat leadership spent less time trying to talk seniors out of signing up for the benefit, they would have more time to work together with Republicans to ensure the long-term solvency of Medicare—not just their own short-term political prospects.”

Cornyn noted that the Democrat plan comes three years after the reform became law; nearly two months after the enrollment deadline passed; and long after the more than 30 million seniors began to benefit from the savings.

Sen. Cornyn is a member of the following Senate Committees: Armed Services; Judiciary; Budget; Small Business and Entrepreneurship; and Joint Economic. He is also the chairman of the subcommittees on Immigration, Border Security and Citizenship and Emerging Threats and Capabilities.

109th Congress

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