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HEALTH

Medicare Bill Sweet For Some, But Others Find Bitter Pills

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By JOHN A. MacDONALD, Courant Staff Writer

WASHINGTON -- People with very low incomes, drug manufacturers and insurers are among the big winners in the far-reaching Medicare legislation that President Bush is scheduled to sign Monday, health policy analysts said.

But the measure has losers, too, they said. These include taxpayers who hoped the legislation would slow the rapid rise in prescription drug costs, retirees who will lose health benefits their employers now provide and relatively wealthy Medicare beneficiaries who will have to pay higher premiums.

"There are going to be a lot of peaks and valleys" as people learn the details of the legislation, said Drew E. Altman, president of the Kaiser Family Foundation, a nonpartisan health research organization. Over time, Altman said, an "expectations gap" could develop, with Medicare beneficiaries deciding they were promised more than they received.

In 2006, the first year the new prescription benefit will be in effect, Kaiser officials estimate that the average Medicare beneficiary will have \$3,160 in total drug expenses. A senior with those expenses would have to pay \$2,080, about two-thirds of the bill, out of pocket, according to Kaiser calculations.

Bush has expressed nothing but praise since the Senate gave final congressional approval to the measure, which will make the most extensive changes to Medicare in the program's 38-year history. In a preview of the remarks he is expected to make Monday, the president told a Baltimore audience Friday:

"For years, seniors have called for a modern Medicare system that provides coverage for prescription drugs and more health care choices. For years, Washington listened and did nothing. Finally, the Congress has acted. I look forward to signing ... a piece of legislation that says clearly, when America makes a commitment to our elderly, we keep that commitment."

While Bush has pointed only to the positive aspects of the legislation, the analysts said there are pros and cons to the huge, complex measure.

Frank Newport, editor-in-chief of the Gallup Poll, said "it may take a number of weeks, and perhaps months or years, before Americans get a good sense of what the bill entails and how it will affect them personally."

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Supporters and critics agreed that the measure will aid people with very low incomes who have no prescription drug coverage. They will not have to pay the annual premium - estimated at \$420 in the first year - and will be exempt from all but nominal co-payments. This group includes about 4 million people, 10 percent of Medicare's beneficiaries, said Ronald F. Pollack, executive director of the consumer organization Families USA.

"The benefit is very significant," said Jorge Lopez Jr., a health care specialist at the Washington law firm Akin Gump.

James G. Parkel, president of AARP, the lobbying group for Americans 50 and older, agreed. "It will provide prescription drug coverage at little cost to those who need it most," he said. AARP's surprise endorsement helped win over a number of wavering lawmakers before the decisive Senate vote.

Gail E. Shearer, a health policy analyst for Consumers Union, said people "who have truly catastrophic" prescription drug costs also will benefit. Once they reach \$3,600 in annual out-of-pocket spending, the government will pay 95 percent of their drug costs. AARP also cited this as one of the reasons it supported the legislation.

Drug Prices Unrestrained

Beyond these two points, agreement begins to break down.

"The group that will be helped the most is the pharmaceutical industry. They made out like bandits," said Pollack, who is not happy about the gains he said the measure gives drug manufacturers.

Pollack and other analysts contend the legislation does nothing to restrain the increase in prescription drug prices. The government negotiates the prices it pays doctors, hospitals and medical equipment manufacturers, but the new bill forbids it from entering negotiations with drug companies.

Also, analysts said, the legislation continues the policy of giving the Food and Drug Administration a veto over the importation of lower-cost drugs from Canada and other industrialized nations.

Some analysts see another problem: Several of the drug benefit thresholds will rise as costs increase. Thus, the initial \$250 annual deductible will rise to \$445 a year by 2013 and the \$3,600 spending level for catastrophic coverage will hit \$6,400 the same year, said Jeanne M. Lambrew, professor of health policy at George Washington University.

Since drug costs are rising faster than inflation, "a growing share of beneficiaries' income will be spent on Medicare prescription drug costs," Lambrew said.

Drug manufacturers kept a low profile during the congressional debate. Alan F. Holmer, president of the Pharmaceutical Research and Manufacturers of America, an industry trade group, said in a statement: "This new Medicare benefit offers America's seniors and disabled persons the insurance coverage that is critical to better, more affordable access to the medicines they need."

The legislation will give insurers a greater opportunity to sign up Medicare beneficiaries and will pay insurers more. Some see that as a plus, others as a negative.

Insurers have been more willing to discuss the legislation's impact on their industry than drug manufacturers. Insurers said the measure will offer seniors more coverage options and a greater range of Medicare-covered services. "We believe these plans are attractive to seniors and will prove to be an effective choice in providing access to high-quality, cost-effective care," said Dr. John W. Rowe, Aetna's chairman.

Some analysts argue that the legislation stacks the deck in favor of private insurers. As evidence, they cite the \$12 billion set-aside in the measure to help private insurers compete with traditional Medicare. That will undermine Medicare and lead to rising prices for beneficiaries, said Dr. Robert A. Berenson, a fellow at the Urban Institute, a Washington think tank. AARP says the new legislation protects traditional Medicare.

Employers And Retirees

While there is a dispute about the legislation's impact on drug manufacturers and insurers, there is wider agreement that the measure will further erode employer-paid retiree health benefits. Employers, seeking to cut costs, are expected to dump 2.7 million retirees into the new, less generous Medicare plan, federal officials said.

Also, for the first time, relatively affluent Medicare beneficiaries will have to pay more for services. Those who earn more than \$80,000 a year will pay progressively higher premiums, a change that some fear could undercut the universal nature of the program.

These two changes could have a significant impact in Connecticut because some state businesses still provide relatively generous retiree plans and the state is home to many high-income residents, said Keith Bell, a benefits specialist at Ameriben Alliance, a group of employee benefit brokers based in Windsor.

Bell agreed with sponsors of the legislation on another point - that updating Medicare to include coverage for preventive care, disease management and wellness programs is a plus. But he said the measure is far too complex. Speaking of seniors, he said, "There could be a rebellion because [the measure] is so hard to understand."

Medicare administrator Thomas A. Scully disputed some of the analysts' concerns. He said managers of private prescription drug benefits will negotiate prices with manufacturers so beneficiaries should get a savings. Scully also said that employers will receive substantial tax subsidies to encourage them to retain retiree coverage and that private insurers should improve the quality of beneficiaries' medical care.

Still, Judith Stein, executive director of the Center for Medicare Advocacy in Willimantic, said much of the reaction she has heard has been critical. People say the drug benefit is "meager," they do not understand why they have to wait two years for it to take effect and they do not understand the structure of the new program, Stein said.

A drug discount card will be available next spring and should yield savings of 10 percent to 25 percent, but the more extensive drug benefit will not take effect for two years. Federal officials said they need the time to set up the program.

Altman, the Kaiser president, said many seniors were expecting more, but he added, "The real verdict will not come until 2006."

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