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OPED

Don't Give Medicare Away To Private Plans

February 10, 2004

Judith A. Stein

Surprise. The president's budget allocates \$540 billion for the new Medicare prescription drug bill. This exceeds by a third the \$400 billion originally projected by the administration.

Many people seem shocked by this news, but what is really shocking is that the administration was aware of the higher price tag while it was negotiating passage of the bill. The \$400 billion figure was used as a ceiling by administration officials and was given as the reason the benefit had to include a huge gap in coverage, which has become known as the "doughnut hole."

Unfortunately, this is just the first of many surprises that will arise as this convoluted law takes effect.

The new Medicare law authorizes more than \$40 billion to induce private insurance companies to participate in Medicare, an allocation that was not included in the earlier \$400 billion figure. It seems all too likely that the true costs of the new law were hidden before it was passed in order to gain support for a bill, which gives billions of dollars to managed care and pharmaceutical companies rather than better coverage for beneficiaries. In fact, the new law provides, on average, a 10.6 percent increase in payments for Medicare managed-care plans starting next month. Billions more will be offered over time, including \$12 billion to induce private companies to offer regional plans when the Medicare prescription drug plan begins in 2006.

When Medicare managed care began, it was touted as a means of saving money for the Medicare program. But, as former Medicare Administrator Bruce Vladeck has said, managed care "has not saved Medicare a nickel." Further, private plans left Medicare in droves as soon as they were dissatisfied with their profit margins. As reported by the Kaiser Family Foundation, in 2003 managed care served less than 12 percent of Medicare's beneficiaries nationwide, and only 6 percent in Connecticut.

True, many Medicare HMOs have recently announced they will be adding new benefits. But as we in Connecticut know, this does not guarantee that the plans will continue the new benefits or lower premiums - or even stay in Medicare. How much money will the government have to pour into these plans in the future to keep them in the system?

If the government is going to spend this kind of money, why not put it into a better prescription drug benefit in the traditional Medicare program? Since 1965, that program has provided a secure health insurance system for all beneficiaries. It is less expensive to administer than private Medicare plans. It offers reliable benefits and a choice of health care providers throughout the state and nation. If there are billions of dollars to spend, spend it on a better prescription drug benefit without the remarkable coverage

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gaps in the plan just passed by Congress. And offer that benefit in the cost-effective, reliable traditional Medicare program. Why give this kind of money away to private plans to do what the traditional program has proven it can do more effectively?

The new Medicare law includes another certain prescription for skyrocketing costs. Adding insult to injury, it explicitly prohibits the government from negotiating discounted prices with pharmaceutical companies on behalf of the 41 million Medicare beneficiaries. This eliminates one of the best tools possible to lower the cost of the drugs to be purchased under the new plan, as well as Medicare's future overall costs. The Veterans Administration already uses this tool to obtain dramatic savings, and the President proposes allowing small businesses to do so. Why is Medicare prohibited from seeking such savings?

The expense of giving people with Medicare a sensible drug benefit does not have to be this high. If we really want to provide an affordable prescription drug benefit for Medicare beneficiaries, it can be done without giving billions of dollars to private insurance plans and pharmaceutical companies. With his revelation of the true costs of the drug benefit, President Bush assures that many in Congress will be unwilling to fill in the gaps in the meager drug coverage the act provides to older people and people with disabilities. Worse yet, many lawmakers may decide not to keep this long overdue promise after all.

Judith A. Stein is executive director of the Center for Medicare Advocacy, a national group headquartered in Willimantic.

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