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THE NATION

Medicare's Drug Benefit Plan Unveiled

A \$300-million effort is being launched to educate 42 million beneficiaries about the prescription program, which begins next year.

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WASHINGTON — Medicare officials Friday unveiled the final design for a prescription drug benefit that would take effect Jan. 1 next year, promising savings of hundreds of dollars for a typical middle-class beneficiary.

But officials acknowledged they faced widespread confusion and skepticism among retirees over how the voluntary plan would work — and even whether it was worthwhile.

Medicare Administrator Mark McClellan said a \$300-million campaign was being launched to educate some 42 million elderly and disabled beneficiaries about their options. About 6 million beneficiaries who have very low incomes or are in nursing homes will be enrolled automatically.

The success of the effort should play a large part in determining whether the new benefit — a major initiative by President Bush that he spotlighted during his reelection campaign — becomes a valuable addition to the bedrock health program or turns into a politically embarrassing flop.

"If you look at surveys, there are a lot of beneficiaries who don't know they're going to have a drug benefit available to them," McClellan said. "Our first goal is to get the basic facts out."

The AARP, which has backed the Medicare prescription plan, pledged Friday to help make it a success.

"This is the biggest domestic policy initiative the administration has got, and if it doesn't play out as hoped, it could really be a black eye," said John Rother, AARP's director of policy. "AARP has got something riding on this, since we supported the legislation. But the whole point is to get a drug benefit into the hands of millions of seniors."

Much of the concern about the drug plan stems from its differences with existing Medicare benefits. Unlike those, it won't be provided automatically to the majority of beneficiaries.

Instead, most retirees who are not poor or confined to nursing homes will be required to make a series of decisions, starting with whether they want to participate. Coverage will be provided through private plans, requiring beneficiaries to shop around and compare potentially complex variables such as copayments and drugs covered.

"Getting 42 million people to take action is a monumental task," said Tricia Neuman, a Medicare expert with the nonpartisan Kaiser Family Foundation.

Some patient advocates said Medicare had not done enough to require drug plans to disclose detailed information to prospective members.

"This is a very, very confusing benefit," said Patricia Nemore of the Center for Medicare Advocacy, a consumer group. "The way it is designed makes it very difficult for people to make an informed choice."

Representatives of other consumer groups have praised Medicare for making it easier to enroll low-income and frail elderly in the plan.

The regulations and accompanying materials released Friday run to some 2,000 pages. McClellan said they represented a "huge step" toward providing the elderly with the help they needed to pay for prescriptions.

For the typical middle-class retiree, Medicare will pay about 75% of the monthly premium for drug coverage. The individual beneficiary's share initially has been estimated at about \$37 a month.

The nonpartisan Congressional Budget Office has estimated that people who sign up for the coverage will save about \$465 on prescriptions in the first year of the plan.

Beneficiaries will pay the first \$250 in costs, and Medicare will pay 75% of the next \$2,000. Because of budget constraints, there will be no Medicare coverage for expenses between \$2,250 and \$5,100, a proviso dubbed the "doughnut hole." Medicare will cover 95% of expenses above \$5,100.

Poor beneficiaries will face no premiums, deductibles or gaps in coverage. Subsidies also will be provided for those close to the poverty line. Middle-class retirees may be able to escape the effects of the coverage gap by signing up with a managed-care plan that

provides full drug coverage in exchange for some restrictions.

Industry and consumer group lawyers will be poring over the plan's specifications for weeks to come to ferret out key details.

The main drug manufacturers' lobbying group had a lukewarm reaction to Medicare's announcement.

But an organization representing companies that manage prescription benefits for employers was pleased.

"We think this will give us the opportunity to provide the savings [to Medicare recipients] that we provide for the working-age population," said Mark Merritt, president of the Pharmaceutical Care Management Assn.

Employer groups were happy with subsidies in the plan, intended to keep companies that cover prescriptions for their retirees from dropping it.

"This new benefit will help employers provide benefits for their retirees at a time when costs continue to rise," said R. Bruce Josten, a top lobbyist for the U.S. Chamber of Commerce.

McClellan said Medicare would begin signing up beneficiaries in the fall.

People who postpone joining the plan will face higher premiums if they sign up at a later date.

Beneficiaries will be able to pick their drug coverage from at least two plans in every area of the country.

The plans will have latitude in deciding which drugs to cover, but they will have to provide at least two choices, and usually more, in each of dozens of major classes of drugs.

Medicare is basing its guidelines for how plans decide which drugs to cover on the recommendations from a group of outside experts and on current practices in prescription plans that serve the working-age population.

Although the government expects to spend as much as \$500 billion on Medicare drug coverage over the next 10 years, seniors have been cool to the new benefit. An initial subsidy of \$600 a year for low-income seniors, first offered last year, has gone unclaimed by many. Of 7 million eligible last year, only 1.7 million signed up.

Medicare officials released another set of regulations Friday that will allow beneficiaries throughout the country to join preferred provider organizations.

These are networks of doctors and hospitals that have become the most common type of health plan for working-age people.

Most Medicare beneficiaries don't have that option now.

Often, the only managed-care plans they can choose from are health maintenance organizations, which impose greater restrictions on patients' choices of doctors and hospitals.

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