

Testimony by Rep. Cal Dooley
House Committee on Government Reform
Subcommittee on Human Rights and Wellness
September 24, 2003

Thank you, Mr. Chairman, for the opportunity to testify today on the important issue of Medicare Prescription Drug Coverage. As the Conference Committee continues to struggle with a reconciliation of the House and Senate-passed bills, many seniors, advocacy groups, and Members of Congress have recognized there is a better way to provide a universal, affordable Medicare drug benefit to our nation's seniors.

Earlier this year I introduced H.R. 1568, the Medicare RX Now Act, a universal zero-premium Medicare drug benefit that would target assistance to seniors who need the most help – the nation's sickest and lowest-income seniors – and provide market-based discounts for all Medicare beneficiaries. Recognizing that a majority of seniors already have some form of prescription drug coverage, our benefit was designed to maintain existing coverage provided by employers, states and private insurance options. In addition, we designed our benefit with the goal of spending no more than the \$400 billion provided in the Republican budget.

Universal Coverage for High Drug Costs

Under H.R. 1568 all seniors would be entitled to a new Medicare Part B drug benefit at no additional premium. Each senior would select a Medicare Approved Drug Card Plan that would provide him or her with immediate access to negotiated prices, projected to save that senior anywhere between 10 and 20 percent off the price they currently pay. The card would also act as an accounting mechanism to track all drug spending. Seniors with very high drug costs – in excess of \$4,000 a year – would trigger

a catastrophic benefit. The government would pay roughly 80 percent of drug costs after \$4,000 and the individual would pay a flat co-payment.

Because the coverage would be automatic and provided at no additional premium it would avoid the adverse selection problems that plague many other proposals and provide seniors with a new benefit for no additional out of pocket cost to the senior.

Targeted Assistance to Those Most In Need

Considering current budget shortfalls and projected deficits for years to come, we must target our resources to seniors with the greatest need. In addition to the universal benefit for all seniors who incur very high drug costs, our legislation recognizes that some low-income seniors do not have the ability to pay large deductibles and need immediate assistance. Under H.R. 1568 seniors up to 200 percent of poverty would be eligible for first dollar drug coverage with low three-tiered individual co-payments.

Seniors above full Medicaid eligibility but below 135 percent of poverty would pay flat co-payments equivalent to an 80/20 cost share. Seniors with incomes between 135 percent and 150 percent of poverty would receive a subsidy equivalent to a 70/30 cost share. And states would have the option of covering seniors between 150 percent and 200 percent of the federal poverty level. The federal government would match state payments at the SCHIP level.

Won't Disrupt Current Coverage

H.R. 1568 recognizes the first principle of medicine – to do no harm. We cannot afford to enact a Medicare prescription drug benefit that would leave the majority of seniors who already have some form of prescription drug coverage worse off than they are today. According to CBO, under the proposals being considered by the Conference

Committee, between 37 and 32 percent of employers who provide retiree drug coverage would drop their existing coverage. That translates into almost 4 million beneficiaries losing their existing employer-sponsored prescription drug coverage. It's unconscionable to think that we'd enact a drug benefit that would spend hundreds of billions of dollars to make seniors worse off than they are today.

My legislation would not require seniors to switch out of their current coverage to get the new drug benefit — instead it would reinforce all current forms of drug coverage, including employer-based retiree coverage and state-based pharmaceutical assistance programs. Because its benefits are based on all drug spending — including drugs purchased under insurance plans seniors already have, not just out-of-pocket spending — the proposal is fair to seniors who have existing coverage and to the employers who provide it. With a deficit for FY 2004 approaching \$500 billion, it is fiscally irresponsible to replace prescription drug coverage financed by private sector dollars with federal dollars.

Conclusion

Thank you, Mr. Chairman, for the opportunity to testify today. In summary, we need to enact a Medicare prescription drug bill that provides a benefit that seniors can understand, targets the most assistance to seniors with high drug costs and with low-incomes, and keeps employers and states in the system. The Medicare RX Now Act is easy to understand and within the Medicare Part B system that seniors trust.

I look forward to working with you, members of the committee and the rest of our colleagues toward the enactment of the Medicare Prescription Drug benefit that our nation's seniors deserve.