“Medicare Safety Net Prescription Drug Act of 2003”

OUTLINE OF PROPOSAL:

(1) Eligibility: To be eligible the individual must be (A) a "medicare beneficiary" (part A or part B, and including seniors, the disabled, and ESRD), (B) not have or be eligible for any other prescription drug coverage under medicaid, a group health plan, Medicare+Choice, individual health insurance, medigap, a State pharmaceutical assistance program,or U.S. Department of Veterans Affairs assistance and (C) with "current" income below 250 % of the Federal poverty line [no asset test is imposed]

(2) Enrollment: Would have continuous open enrollment with annual Certification/recertification of eligibility--but can come in anytime during year. Enrollment is voluntary.

(3) Benefits: would be--
(A) A contribution into an MSA-like Account that can be used only to pay for Rx drugs, and (B) "catastrophic" coverage of Rx costs above a threshold in a year (tentatively $3,000).

(4) Income-related provisions: Because this proposal is limited to indigent medicare beneficiaries without outpatient prescription drug coverage, there would be (A) no premiums, (B) larger contributions to the MSA-like accounts for poorer individuals, and (C) a uniform catastrophic threshold.

(5) The annual amounts are set based upon income level, from a high of $2500 for the poorest beneficiaries to a low of $600 for higher income beneficiaries and the amounts carryover from year to year, up to the catastrophic threshold (but "you can't take it with you" if you leave the program).

The use of the account is limited to prescription drugs. Others cannot add money to the account and it is administered centrally. (e.g., by someone under contract with Feds). Payments would be made into account in a lump sum at beginning of year (or pro-rated for those who become eligible later in the year).

(6) As to the catastrophic benefit, the threshold will be $3,000 with no coinsurance thereafter. In addition, we're assuming, for now, that this is administered by private insurers/carrier who are, basically, administering the program for the Federal government.

(7) Budgeting: There will be a capped entitlement of $200B over 10 years (with hard dollar amounts specified for the various years). HHS would cross-walk these FY numbers into annual calendar year thresholds and dollar contribution amounts. If amounts actually

spent exceed dollar amounts budgeted, then excess (offset by any previous surpluses) is spread out and recovered over succeeding period [this is a "ceiling" not a "floor"].

(8) Financing: General revenue financing in a separate account within the Medicare Part B/SMI trust fund with annual accounting/reports by HHS to Congress.

(9) The program would be administered by a separate division within HHS specified by the Secretary.

(10) In addition, the bill incorporates the language of HR 2427 with modifications, specifically a prohibition against importing drugs for use in connection with abortion, sex transformation, sexual dysfunction, or sexual inadequacy.

(11) As an additional cost saving measure, the Secretary is authorized to negotiate prices paid by beneficiaries in the program for prescription drugs.

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