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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	From: Bruce Reed et al. re: Event on Medicare and Prescription Drug Coverage in Rural America (partial) (1 page)	06/12/2000	P6/b(6)

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Devorah Adler
OA/Box Number: 20147

FOLDER TITLE:
Medicare Drugs Event [Folder 4]

2012-0463-S
rc698

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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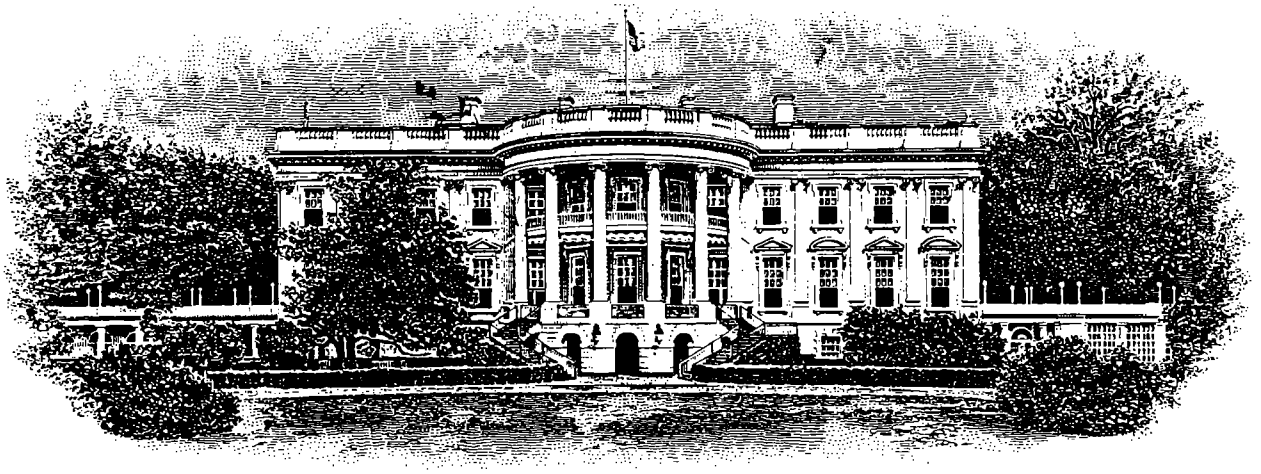
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

The White House



PRESIDENT CLINTON RELEASES NEW REPORT ON THE SPECIAL CHALLENGES FACING RURAL SENIORS WHO NEED PRESCRIPTION DRUGS

June 13, 2000

Today, the President will release a new report from the Domestic Policy Council and the National Economic Council documenting the special challenges that the over 9 million Medicare beneficiaries living in rural communities face in accessing and affording life-saving prescription drugs. This report, prepared in response to a request from Senator Baucus (D-MT), documents that rural beneficiaries tend to have a greater need for prescription drug coverage but have fewer coverage options. Their incomes are lower, access to pharmacies more limited, and out-of-pocket spending higher. The report will highlight that the private prescription drug coverage options available to rural beneficiaries are not only severely limited, but extremely expensive. The President will stress that it makes little sense to build on flawed private options like Medigap, such as the approach reportedly being advocated by the House Republicans today. Instead, he will urge Republicans to work with him to design a meaningful Medicare prescription drug benefit that provides an affordable and dependable coverage option available to all beneficiaries.

RURAL BENEFICIARIES HAVE A GREATER NEED FOR, BUT ARE LESS LIKELY TO HAVE, PRESCRIPTION DRUG COVERAGE. Rural Medicare beneficiaries, who represent nearly one-fourth of the Medicare population, have lower incomes, more limited access to pharmacies, and higher out-of-pocket expenditures than their urban counterparts. Key findings of the report the President is releasing today include:

- **Rural beneficiaries pay more for prescription drugs than urban beneficiaries, and are more likely to go without needed medication because of cost concerns.** Rural beneficiaries are over 60 percent more likely to go without prescription medication because of cost concerns than urban beneficiaries. In addition, because rural beneficiaries pay over 25 percent more out-of-pocket on prescription drugs than urban beneficiaries, they spend a greater percentage of their income on these medications on average.

- **Rural elderly are more likely to have high out-of-pocket spending than urban seniors, even among the chronically ill.** About one-third of rural seniors versus 25 percent of urban beneficiaries have out-of-pocket spending that exceeds $500. This difference remains even when looking only at older Americans with heart disease, hypertension, stroke and cancer: about 45 percent of these rural seniors have out-of-pocket spending that exceeds $500 compared to 36 percent of chronically ill urban seniors.

- **Rural Medicare beneficiaries are 50 percent less likely to have any prescription drug coverage.** The proportion of rural beneficiaries who lack drug coverage for the entire year is 43 percent compared to 27 percent in urban. This lack of coverage is even more dramatic when looking those who are uninsured for part of the year. About 57 percent of rural Medicare beneficiaries do not have prescription drug coverage for all or part of the year, compared to 44 percent of urban beneficiaries. In addition, the oldest rural seniors are particularly vulnerable to lacking prescription drug coverage. Over half of rural seniors age 85 or older have no drug coverage – over 50 percent higher than urban seniors that age.

- **In rural America, most beneficiaries who lack prescription drug coverage are middle income.** Although rural seniors have lower income than urban seniors, about 45 percent of those without prescription drug coverage have income between 150 and 400 percent of poverty. They would have too much income to qualify for direct premium assistance in most proposed low-income benefits but do not have enough income to afford private insurance.

- **Rural beneficiaries are about one-third less likely to have retiree health insurance.** Only about one in four of rural seniors have drug coverage through employer-based retiree insurance, compared to 35 percent of urban seniors.

- **Less than 1 percent of rural beneficiaries are enrolled in Medicare managed care with a prescription drug benefit.** About 75 percent of rural beneficiaries do not have a managed care option, and no state has more than 30 percent of rural beneficiaries enrolled in managed care. Only one-third of rural managed care enrollees have a drug benefit in their basic benefit, and of those with drug coverage, nearly two-thirds have coverage limit of $1,000 or less for brand name and/or generic drugs.

- **Due to lack of alternatives and the critical need for drug coverage, rural seniors disproportionately purchase Medigap.** About 13 percent of rural Medicare beneficiaries receive prescription drug coverage through Medigap compared to 11 percent of urban beneficiaries.

- **Premiums for Medigap for rural beneficiaries are high and increase with age.** A typical 65-year old pays about $164 per month for a Medigap plan that includes limited prescription drug coverage. In Montana, the typical monthly premium for a Medigap plan with prescription drugs is $126 if you are age 65, but $184 if you are age 80 or older. On top of these high premiums, rural seniors with Medigap spend on average $442 out-of-pocket for drug costs – 75 percent more than rural beneficiaries with retiree health coverage.

CONGRESS SHOULD WORK IN A BIPARTISAN FASHION TO DRAFT A MEANINGFUL MEDICARE DRUG BENEFIT. The President will call on the Congress to work together on a plan that is designed to cover people – not provide political cover. He will raise concerns about reports of the Republican plan being released today that would use a flawed Medigap-like model that could neither be assured to be available nor affordable to all Medicare beneficiaries.

THE PRESIDENT'S PLAN EXTENDS PRESCRIPTION DRUGS TO ALL MEDICARE BENEFICIARIES. The President will point out that his plan provides an affordable, accessible, prescription drug benefit option to all beneficiaries. It is:

- Voluntary. Medicare beneficiaries who now have dependable, affordable coverage would have the option of keeping that coverage.

- Accessible to all beneficiaries. Beneficiaries who join the program would pay the same premium and get the same benefit, no matter where they live, through a private, competitively selected benefit manager or, where available, through managed care plans.

- Designed to give beneficiaries meaningful protection and bargaining power. A reserve fund in the President's budget helps Medicare beneficiaries with catastrophic prescription drug costs. The plan also gives beneficiaries bargaining power they now lack by utilizing private prescription drug managers to negotiate discounts that can be extracted from volume purchasing.

- Affordable to all beneficiaries and the program. According to CBO, premiums would be $26 per month in 2003. Low-income beneficiaries – below 150 percent of poverty ($17,000 for a couple) – would receive extra help with the cost of premiums; those below 135 percent would have no cost sharing.

- Consistent with broader reform. The new, voluntary prescription drug benefit is part of a larger plan to strengthen and modernize Medicare. This plan would make Medicare more competitive and efficient, reduce fraud and out-year cost increases, promote fair payments, and improve preventive benefits in Medicare.

Final 06/12/00 8:40pm
Heather Hurlburt

PRESIDENT WILLIAM J. CLINTON
REMARKS ON RURAL PRESCRIPTION DRUG COVERAGE
THE WHITE HOUSE
WASHINGTON, DC
June 13, 2000

Acknowledgements: Secretary Shalala; Senator Baucus; Congressman Strickland. I am also glad to see so many other members of Congress here. And I want to thank Ruth Westfall for coming all the way from Idaho to remind us what this issue of prescription drug coverage is really about.

It's about meeting our obligation to all those who have given so much to our nation. It's about helping older Americans in small towns and big cities preserve their dignity and their way of life.

Prescription drugs are an indispensable part of modern medicine. Yet more than three in five Medicare recipients now lack dependable insurance coverage for the drugs that could lengthen and enrich their lives. And as the report we are releasing today shows, the situation of America's rural seniors is even worse.

We've already heard today that rural seniors have a harder time getting to a doctor or a pharmacy. They are much less likely to have HMOs or other insurers willing to offer them reasonably-priced coverage. Yet they are more often in poor health and in need of prescription drugs than their city counterparts. As a result, rural seniors and people with disabilities must spend 25 percent more out of pocket for the prescriptions they need. They are sixty percent more likely not to get those drugs at all. And that is true for low-income and middle-income families alike.

This report could not be more timely. We have an opportunity, with our strong economy, to pass an affordable, voluntary prescription drug benefit. We have an obligation to our seniors to do that now. And we have a responsibility to pass a plan that meets the real needs of real Americans.

Prescription drug coverage can't be a faint hope or a broken promise. It can't be a benefit that works for some people some of the time. We need a bottom-line, straightforward plan that all seniors can afford, and that covers everyone in need.

My budget proposal would extend the lifeline of optional prescription drug coverage to all seniors, by allowing them to sign up for drug coverage through Medicare. No matter where they live, or how sick they are, they would pay the same premiums. Our plan would use price competition, not price controls, to give seniors everywhere the best prescription prices. It would help cover the expenses of seniors who face catastrophic drug costs. And it is part of an overall

plan to strengthen and modernize Medicare, to keep it efficient and solvent for another generation of Americans.

I'm very pleased to see growing bipartisan support for a prescription drug benefit this year. But I am concerned that the proposal that House Republicans intend to put forward today will not help those Americans who need it most.

Today's report on the special needs of rural seniors makes clear that we need a Medicare-based benefit that's available and affordable for all older Americans. But it is my understanding that the latest Republican proposal relies on the private insurance model that has already failed rural Americans. This report makes clear that rural Americans can't afford Medigap coverage today. It makes no sense to use it as our model for tomorrow. We must ensure that any plan benefits the people who need to take prescription drugs as much as the companies that make prescription drugs. We've reached across party lines before for America's health, with the Kennedy-Kassebaum bill and the Children's Health Insurance Program. We can do it again. And we should do it now.

We have a responsibility to help make sure that Ruth Westfall and thousands like her can go on tutoring and working in their communities, living where they choose, enjoying healthy and dignified lives. There is no better time to get this job done. So I ask the Republicans to work with us to pass a real prescription drug benefit without further delay.

Thank you.

Statement of Senator Max Baucus
Report on Rural Prescription Drug Coverage
Old Executive Office Building
June 13, 2000

Thank you, Secretary Shalala. Good morning. Mr. President, I know I speak for everyone gathered here representing rural America, when I say thank you for your continued leadership and commitment on this issue.

I thank you for your efforts for seniors and their families throughout our country. They should not have to wait any longer for prescription drug coverage.

As you and my colleagues here today know, the burden to provide affordable and dependable prescription drug coverage is a crisis that does not stop at the city's edge. It is particularly hard for one group who bears a tremendous burden -- rural America.

And the divide between urban and rural America on this issue could not be more glaring. A senior in Manhattan, Montana is far less likely to secure affordable prescription drug coverage than a senior in Manhattan, New York.

This is wrong. For the third straight year, Congress has acted to help rural America, passing legislation to aid struggling farmers.

We are right to do so. Now we must do the same for rural Medicare beneficiaries.

Consider the following facts from this report, comparing rural and urban Medicare beneficiaries:

1. 42% of rural Medicare beneficiaries lack drug coverage, compared to 27% of urban seniors.

2. Rural seniors 85 and older are *particularly* vulnerable; over half of them are forced to go without drug coverage.

3. Only one in four rural beneficiaries has employer-sponsored coverage, compared with 35% of urban seniors.

4. Rural beneficiaries use nearly 10% more prescriptions than urban beneficiaries.

Why is this?

For starters, there are very few Medicare HMOs in rural America. These organizations, many of which offer drug coverage, never got established on a large scale in rural

areas. Those that did, often pulled out.

Montana, for example, lost its only Medicare HMO at the beginning of this year, leaving over 2500 seniors without a drug benefit.

Second, relatively few seniors have retiree health coverage in rural America.

This coverage, usually offered by large companies, is the most comprehensive, often including a safety net for high, "catastrophic" drug costs. But those companies are few and far-between in rural America.

Third, even if a rural senior has access to a supplemental drug policy, these plans are very expensive. With lower incomes and fewer resources to purchase these policies rural seniors are often priced out of the market.

In short, rural seniors are being denied access to life-saving treatment because of where they live.

That's hardly what President Lyndon Johnson had in mind when he signed the Medicare bill, 35 years ago. He stated then: "No longer will older Americans be denied the healing miracle of modern medicine.

More than ever, the miracle of modern medicine is found not in procedures, but prescriptions. Not in surgery, but a pill.

Prescription drugs have never been more important in maintaining and improving health.

But these medicines don't come cheaply, particularly for the residents of rural America. This report underscores the need for Congress to enact a Medicare prescription drug benefit as soon as possible. I look forward to returning here once we passed a bill to do just that.

Mr. President, I want to thank you once again for this report. America's rural residents truly do deserve better. Thanks to your efforts, rural Medicare beneficiaries may finally receive the attention they deserve.

I now want to introduce Congressman Ted Strickland, one of the House of Representatives' strongest advocates for rural health care.

June 12, 2000

EVENT ON MEDICARE AND PRESCRIPTION DRUG COVERAGE IN RURAL AMERICA

DATE:	June 13, 2000
LOCATION:	Presidential Hall
BRIEFING TIME:	9:15am – 9:25am
EVENT TIME:	9:35am – 10:30am
FROM:	Bruce Reed, Charles Brain, Chris Jennings Mary Beth Cahill

I. PURPOSE

To release a report, requested by Senator Max Baucus, documenting the unique challenges Medicare beneficiaries living in rural communities face in accessing and affording prescription drugs. You will also raise concerns about the shortcomings of the current version of the Republican's Medicare prescription drug proposal, and urge them to work with you to design a benefit which will be affordable to all beneficiaries.

II. BACKGROUND

Today you will release a report from the Domestic Policy Council and the National Economic Council, which documents that rural beneficiaries have a greater need for, but are less likely to have, prescription drug coverage. Rural Medicare beneficiaries have lower incomes, more limited access to pharmacies, and higher out-of-pocket expenditures than their urban counterparts. Key findings of the report you will release today include:

- **Rural beneficiaries pay more for prescription drugs than urban beneficiaries, and are more likely to go without needed medication because of cost concerns.** Rural beneficiaries are over 60 percent more likely to go without prescription medication because of cost concerns than urban beneficiaries. In addition, because rural beneficiaries pay over 25 percent more out-of-pocket on prescription drugs than urban beneficiaries, they spend a greater percentage of their income on these medications on average.

- **Rural elderly are more likely to have high out-of-pocket spending than urban seniors, even among the chronically ill.** About one-third of rural seniors versus 25 percent of urban beneficiaries have out-of-pocket spending that exceeds $500. This difference remains even when looking only at older Americans with heart disease,

hypertension, stroke and cancer: about 45 percent of these rural seniors have out-of-pocket spending that exceeds $500 compared to 36 percent of chronically ill urban seniors.

- **Rural Medicare beneficiaries are 50 percent less likely to have any prescription drug coverage.** The proportion of rural beneficiaries who lack drug coverage for the entire year is 43 percent compared to 27 percent in urban. This lack of coverage is even more dramatic when looking those who are uninsured for part of the year. About 57 percent of rural Medicare beneficiaries do not have prescription drug coverage for all or part of the year, compared to 44 percent of urban beneficiaries. In addition, the oldest rural seniors are particularly vulnerable to lacking prescription drug coverage. Over half of rural seniors age 85 or older have no drug coverage – over 50 percent higher than urban seniors that age.

- **In rural America, most beneficiaries who lack prescription drug coverage are middle income.** Although rural seniors have lower income than urban seniors, about 45 percent of those without prescription drug coverage have income between 150 and 400 percent of poverty. They would have too much income to qualify for direct premium assistance in most proposed low-income benefits but do not have enough income to afford private insurance.

- **Rural beneficiaries are about one-third less likely to have retiree health insurance.** Only about one in four of rural seniors have drug coverage through employer-based retiree insurance, compared to 35 percent of urban seniors.

- **Less than 1 percent of rural beneficiaries are enrolled in Medicare managed care with a prescription drug benefit.** About 75 percent of rural beneficiaries do not have a managed care option, and no state has more than 30 percent of rural beneficiaries enrolled in managed care. Only one-third of rural managed care enrollees have a drug benefit in their basic benefit, and of those with drug coverage, nearly two-thirds have coverage limit of $1,000 or less for brand name and/or generic drugs. This has risen since 1999.

- **Even though premiums for Medigap for rural beneficiaries are high and increase with age, rural seniors disproportionately purchase Medigap coverage.** About 13 percent of rural Medicare beneficiaries receive prescription drug coverage through Medigap compared to 11 percent of urban beneficiaries. A typical 65-year old pays about $164 per month for a Medigap plan that includes limited prescription drug coverage. In Montana, the typical monthly premium for a Medigap plan with prescription drugs is $126 if you are age 65, but $184 if you are age 80 or older. On top of these high premiums, rural seniors with Medigap spend 75 percent more on out-of-pocket for drug costs than rural beneficiaries with retiree health coverage.

Ensuring that Rural Seniors Benefit From a New Medicare Prescription Drug Option. Today, you will raise concerns about the latest version of the Republican prescription drug proposal, which relies on a private insurance model that has not worked for rural Americans. The Republican plan:

- **Does not ensure availability of dependable prescription drug coverage.** Because of their lack of managed care options, ensuring access to a reliable drug option for traditional Medicare enrollees is essential for the rural elderly. The Republican plan would rely on the voluntary decision of private insurance plans to offer coverage to rural seniors – despite insurers' own concerns about this approach. Although the plan would increase payments to both managed care plans and private insurers to offer in rural areas, recent experience shows that even overpaying private plans does not necessarily create rural options. Your plan would competitively contract with a private benefit manager in all areas of the nation to ensure access to an affordable prescription drug option.

- **Does not ensure affordability of premiums.** Rural Medicare beneficiaries have lower incomes which make high prescription drug coverage premiums a barrier. The Republican plan would allow private insurers to set their own premiums, putting rural seniors at a disadvantage since premiums would be based on a smaller number of less healthy people. Your plan would pool Medicare beneficiaries nationwide to make premiums for prescription drugs affordable. It would also pay for part of the premium, so beginning in 2003, the prescription drug premiums would be $26 per month.

- **Does not ensure seniors will receive a meaningful benefit.** The unique health and access problems of rural Medicare beneficiaries suggest that it is even more important to them that basic protections for a meaningful benefit are guaranteed. The Republican House plan would allow private insurers rather than public policy to determine the minimum benefit and create pressure on insurers to restrict access to certain drugs and pharmacists to produce price discounts. Your plan would ensure that all beneficiaries get the same, minimum benefit for the same premium while guaranteeing access to medically necessary drugs and qualified pharmacies.

Withdrawal/Redaction Marker
Clinton Library

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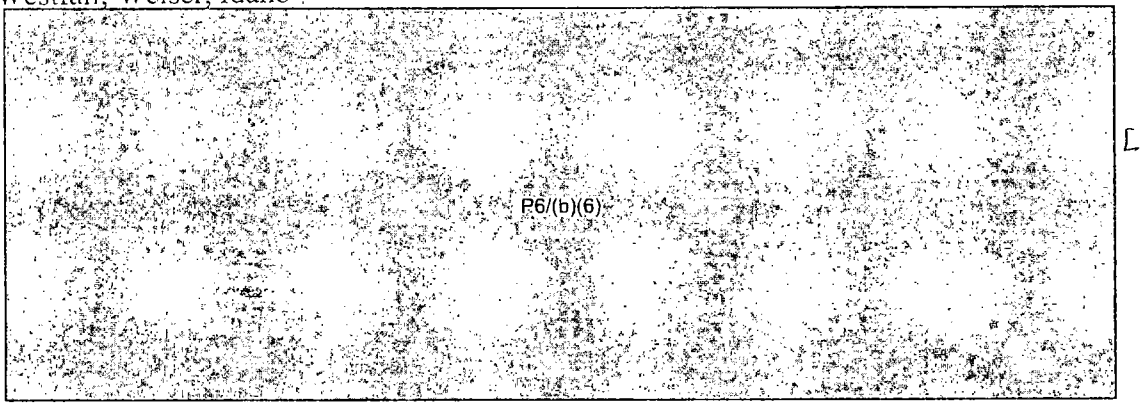
III. PARTICIPANTS

Briefing Participants:
Secretary Donna Shalala
Joel Johnson
Bruce Reed
Charles Brain
Loretta Ucelli
Mary Beth Cahill
Chris Jennings
Heather Hurlburt

Event Participants:
YOU
Secretary Donna Shalala
Senator Max Baucus
Representative Ted Strickland
Ruth Westfall, Weiser, Idaho



[001]

IV. PRESS PLAN

Open Press.

V. SEQUENCE OF EVENTS

- **YOU** will be announced onto the stage, accompanied by Secretary Donna Shalala, Senator Max Baucus, Rep. Ted Strickland, and Ruth Westfall.
- Secretary Donna Shalala will make brief remarks and introduce Senator Max Baucus.
- Senator Max Baucus will make brief remarks and introduce Representative Ted Strickland.
- Representative Ted Strickland will make brief remarks and introduce Ruth Westfall, senior.
- Ruth Westfall will make brief remarks and introduce **YOU**.
- **YOU** will make remarks, work a ropeline, and depart.

VI. REMARKS

To be provided by speechwriting.

VI. ATTACHMENT

- Members of Congress attending.

CONGRESSIONAL PARTICIPANTS IN MEDICARE EVENT
June 13, 2000

ACCEPTS (22)
Sen. Baucus (D-MT)
Rep. Allen (ME)
Rep. Baldwin (D-WI)
Rep. Baldacci (ME)
Rep. Berry (D-AR)
Rep. Bishop (D-GA)
Rep. Boswell (D-IA)
Rep. Clayton (D-NC)
Rep. Deutsch (D-FL)
Rep. Farr (D-CA)
Rep. Kanjorski (D-PA)
Rep. McIntyre (D-NC)
Rep. Minge (D-MN)
Rep. Oberstar (D-MN)
Rep. Ortiz (D-TX)
Rep. Pomeroy (D-ND)
Rep. Rodriguez (D-TX)
Rep. Snyder (D-AR)
Rep. Strickland (D-OH)
Rep. Stupak (D-MI)
Rep. Tanner (D-TN)
Rep. Turner (D-TX)

PENDING (30)
Sen. Daschle (D-SD)
Sen. Dorgan (D-MT)
Sen. Durbin (D-IL)
Sen. Johnson (D-SD)
Sen. Kerrey (D-NE)
Sen. Robb (D-VA)
Sen. Kennedy (D-MA)
Sen. Cleland (D-GA)
Sen. Murray (D-WA)
Rep. Frost (TX)
Rep. Hooley (OR)
Rep. John (LA)
Rep. Lewis (GA)
Rep. McDermott (WA)
Rep. Mink (HI)
Rep. Phelps (IL)
Rep. Sanders (VT)

Rep. Sandlin (TX)
Rep. Shows (MS)
Rep. Stark (CA)
Rep. Thurman(FL)
Rep. Udall (NM)
Rep. Ford (TN)
Rep. Forbes (NY)
Rep. Baldwin (WI)
Rep. Capps (CA)
Rep. Thompson (D-CA)
Rep. DeFazio (D-OR)
Rep. Skelton (D-MO)
Rep. Olver (D-MA)

EVENT: RURAL PRESCRIPTION DRUG EVENT
DATE: TUESDAY, JUNE 13, 2000
PRE-BRIEF: 9:15 AM-9:30 AM
TIME: 9:30 AM-10:30 AM
Location: OEOB 450, Presidential Hall
PRESS: OPEN
Participants: SECRETARY SHALALA
SENATOR BAUCUS (D-MT)
REPRESENTATIVE STRICKLAND (D-OH)
RUTH WESTFALL
THE PRESIDENT

The President will announce a report regarding prescription drug coverage in rural areas. Members will be on the stage with the President during the event.

**Members should arrive no later than 9:10 AM at the NW Gate, Park on the NW Drive and Enter the WW lobby. From there, a staff member from the Office of Legislative Affairs will escort the Member to Presidential Hall.

ACCEPTS (22)
Sen. Baucus (D-MT)
Rep. Allen (ME)
Rep. Baldwin (D-WI)
Rep. Baldacci (ME)
Rep. Berry (D-AR)
Rep. Bishop (D-GA)
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Rep. Minge (D-MN)
Rep. Oberstar (D-MN)
Rep. Ortiz (D-TX)
Rep. Pomeroy (D-ND)
Rep. Rodriguez (D-TX)
Rep. Snyder (D-AR)
Rep. Strickland (D-OH)
Rep. Stupak (D-MI)
Rep. Tanner (D-TN)
Rep. Turner (D-TX)

MAX BAUCUS
MONTANA

WASHINGTON, DC
(202) 224-2651

MONTANA TOLL FREE NUMBER
1-800-332-6106

INTERNET:
max@baucus.senate.gov
http://www.senate.gov/~baucus

United States Senate

WASHINGTON, DC 20510-2602

May 25, 2000

418355

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

Like you, I strongly support provision of a prescription drug benefit under Medicare. Prescription drugs are as important to health care today as hospital care was when Medicare was created. In recognition of this fact, Congress and the Administration should act as soon as possible to provide life-saving drugs to elderly and disabled Americans.

I am also very concerned about the implications of health policy on rural areas. Since passage of the Balanced Budget Act of 1997, it has become clear to me that rural areas are particularly fragile when it comes to changes in Medicare reimbursement or regulatory policy. I continually hear from my constituents that access to quality health care in rural Montana is in danger of being compromised by the BBA.

I believe that a prescription drug benefit would complement our efforts to ensure the health and well-being of rural seniors. As you know, about one-third of Medicare beneficiaries have no prescription drug coverage. But in rural areas, this percentage rises to nearly half.

There are many reasons contributing to the lack of drug coverage in rural areas: minimal penetration of managed care; relatively few employers offering retiree drug coverage; and the inability of rural seniors -- many of whom have low incomes -- to buy expensive Medigap policies. I suspect there are many other factors explaining the rural-urban disparity, and I would appreciate your examining these reasons in detail through issuance of a report by the National Economic Council. Specifically:

- How big is the problem of lack of prescription drug coverage in rural America?
- To what extent do rural seniors have the same prescription drug options that other seniors have?
- Do rural Medicare beneficiaries need more prescription drugs? Do they pay more for them?
- What are the ramifications of different options for prescription drug coverage on rural seniors and people with disabilities?

BILLINGS (406) 657-6790 | BOZEMAN (406) 586-6104 | BUTTE (406) 782-8700 | GREAT FALLS (406) 761-1574 | HELENA (406) 449-5480 | KALISPELL (406) 756-1150 | MISSOULA (406) 329-3123

#418355

8/18/5

- Any other information that will give me a sense of how to best design a Medicare prescription drug benefit that will help rural Americans.

This information will help me in working with other members of Congress from rural states as we work to pass a prescription drug benefit this year. Thank you for your continued efforts to that end, and for your prompt consideration of this request.

Sincerely,

MSB/pb

DRAFT: CONCERNS ABOUT HOUSE REPUBLICAN PRESCRIPTION DRUG PLAN

AVAILABILITY IS UNRELIABLE, RESULTS IN TWO-TIERED SYSTEM

- **Private insurance model won't ensure availability.** The Republican plan builds on the already-flawed private Medigap insurance market rather than adding a prescription drug benefit to Medicare. The insurance industry itself claims that an insurance model will not work for prescription drug coverage – and that insurers will not voluntarily participate. This could particularly affect rural areas where there are fewer seniors who have higher costs.

- **No certainty or stability in drug coverage options**. Even if some insurers do offer coverage, they would likely come in and out of the market, move to profitable market areas, and significantly modify their benefit design from year to year based on prior year's experience. This would result in the same pull-outs and uncertainty that we see in managed care today.

- **Private insurance -- not Medicare – benefit.** Outpatient prescription drugs would not be part of the Medicare benefits package like doctor or hospital care. Beneficiary premiums would pay for expensive, private Medigap plans rather than an affordable Medicare option.

- **"Fall-back" plan creates two-tiered system.** The latest Republican plan explicitly acknowledges that availability of private plans would be unreliable by including a "fall-back" plan. [if fall-back is higher payments to private plans] Medicare would increase incentives for insurers to participate in areas without options. This would not only be expensive but would encourage plans to hold Medicare hostage by not participating unless they receive the higher payment. Moreover, this trickle-down mechanism would provide no guarantee that insurers would pass through these subsidies to beneficiaries. [if fall-back is PBM] By only allowing for a reliable Medicare benefit in areas without private plans, a two-tier system would result where beneficiaries would have a different benefit package based on where they live.

NOT AFFORDABLE FOR ALL BENEFICIARIES

- **Relies on flawed "trickle-down theory" of subsidizing insurers, not seniors.** Medicare would not provide a single dollar of direct premium assistance for middle-class Medicare beneficiaries (any senior with income above $12,600). Instead, it would subsidize insurers for part of the cost for the most expensive enrollees, hoping that this will result in lower premiums for all enrollees. There are no assurances that seniors will see lower premiums as a result.

- **Even if an insurer passed through every dollar of its subsidy, premiums would still be too expensive for many seniors.** The Republicans claim that the trickle-down approach will reduce premiums by 25 percent. Even if this occurred, premiums would be at least twice as high as the President's plan – and probably higher than the Part B premium. Moreover, the administrative costs of private Medigap insurance are high, adding to beneficiary costs. Thus, the Republican plan would not provide an affordable option to all seniors.

- **Premiums will be different from plan to plan, place to place.** Since private insurers, not Medicare, set and collect premiums, premiums will vary widely and change often.

NO GUARANTEE OF A MEANINGFUL BENEFIT

- **Defined dollar amount, not a defined benefit**. Only the stop-loss amount is specified. Private insurers could define deductibles, copays and benefit limits. This is a step backwards from the Medigap reforms of the early 1990s that standardized benefits, promoting competition on price and quality, not confusion.

- **Encourages competition to attract the healthiest seniors**. The Republican plan puts sicker seniors and people with disabilities at risk of adverse selection. It relies on an insurance model where insurers get paid one premium for all enrollees – no matter how sick – and allows them to define the drug benefit. An insurer could discourage seniors with high drug costs from enrolling by offering no deductible, low copays and a low benefit cap that leaves a large gap before the stop-loss kicks in.

- **Limits choice of drugs and pharmacies.** The so-called "choice" model offered by the Republicans breaks up the pooled purchasing power of seniors, forcing insurers to reduce prices through restrictive formularies and limited choice of pharmacies. While they would have a limited appeals process available to the, beneficiaries are not guaranteed access to off-formulary drugs that their doctor certifies are medically necessary.

QUESTIONS AND ANSWERS ON MEDICARE PRESCRIPTION DRUGS

Q: Is the timing of the release of this report designed to blow-up today's announcement by the Republicans of their prescription drug proposal?

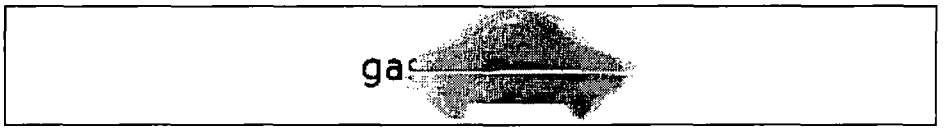
A: Absolutely not. This report was drafted in response to a request by Senator Baucus to focus on the importance of Medicare prescription drug coverage to older Americans living in rural communities. It has just become available, and we are releasing it to underscore the importance of a workable, meaningful, affordable, and available drug benefit for all Medicare beneficiaries, including those who live in rural areas.

Q: What is your reaction to the House Republican prescription drug proposal?

A: We haven't received any details, but we'll be reviewing it this morning. It appears that it does not meet the President's principles of providing an available, affordable, and meaningful benefit, because it utilizes a private insurance model that the insurance industry itself says will not be offered. Even if it is offered, it will almost inevitably be extremely expensive. Not only does it appear that the base premium will be expensive, but it is highly unlikely that the subsidy offered to insurers will trickle down to beneficiaries in the form of lower premiums. Finally, we are extremely concerned that the Republican proposal seems designed to provide more political cover than coverage for people. If it was a serious effort, it would provide adequate time for an open public review of the policy and its implications for seniors. Instead, the House Republicans appear to be jamming this bill through the legislative process to avoid such scrutiny.

Q: Do you believe this report undermines the Republican proposal?

A: The report we're releasing today clearly underscores the importance of a Medicare benefit that is available and affordable to all beneficiaries. It well illustrates why a private insurance Medigap model, which the insurance industry itself has rejected, doesn't work. A Medigap model would be unavailable and therefore could not guarantee access. Even if it was offered, it would inevitably be extremely expensive because of the virtually inevitable risk selection and administrative problems inherent in this policy. Today's report also emphasizes the importance of a traditional Medicare fee-for-service option in order to ensure that all older Americans have access to affordable and much-needed medications.



June 13, 2000

White House: GOP Drug Plan Flawed

A.P. INDEXES: TOP STORIES | NEWS | SPORTS | BUSINESS | TECHNOLOGY | ENTERTAINMENT

Filed at 5:03 a.m. EDT

By The Associated Press

WASHINGTON (AP) -- Older Americans who live outside metropolitan areas have a tougher time getting and paying for prescription medication, and their situation would worsen in a Republican-backed health care overhaul, the White House claims.

President Clinton and congressional Republicans have competing plans to help senior citizens pay for prescription drugs -- a popular election year issue and what Clinton calls a serious lapse in the federal Medicare program insuring the elderly and disabled.

On the eve of dueling news conferences on the subject Tuesday morning, the White House released an analysis of the plight of the rural elderly.

Clinton and fellow Democrats plan to promote the White House plan for what Clinton calls universal prescription drug coverage. House Republicans planned to detail a plan gaining ground on Capitol Hill this week. The GOP plan, the details of which were unclear Monday, has already attracted some bipartisan interest.

Both plans would cover the cost of prescription drugs for older people and the disabled -- differences come in the cost and scope of coverage.

For most people on Medicare, prescription medications are not covered unless they buy additional insurance.

White House spokesman Joe Lockhart claimed Monday that Republicans are merely searching for political cover by rushing to vote on a half-baked plan.

``This is too important an issue to be done in the dead of night or pushed through quickly, before there can be a real debate on it,'' Lockhart said.

Republicans claim the White House plan is too costly and that it, too, is a political calculation designed to improve the presidential chances of Vice President Al Gore.

The White House claimed the evolving GOP plan is a ruse, as it was likely to depend in part in the cooperation of private insurance plans to provide drug coverage. White House health care policy adviser Chris Jennings said insurers aren't likely to go along.

Older Americans who live far from major cities are 60 percent less likely to get the drugs they need, and they pay around 25 percent more for the medications, the White House study of Medicare recipients said. About 29 percent of rural elderly spend more than 5 percent of their income on out-of-pocket prescription drugs, compared to 21 percent of city-dwelling seniors, the same study found.

In addition, rural Medicare recipients are 50 percent less likely to have any coverage for the cost of prescription drugs, the White House claims.

PRESIDENT CLINTON RELEASES NEW REPORT ON THE SPECIAL CHALLENGES FACING RURAL SENIORS WHO NEED PRESCRIPTION DRUGS
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RURAL BENEFICIARIES HAVE A GREATER NEED FOR, BUT ARE LESS LIKELY TO HAVE, PRESCRIPTION DRUG COVERAGE. Rural Medicare beneficiaries, who represent nearly one-fourth of the Medicare population, have lower incomes, more limited access to pharmacies, and higher out-of-pocket expenditures than their urban counterparts. Key findings of the report the President is releasing today include:

- **Rural beneficiaries pay more for prescription drugs than urban beneficiaries, and are more likely to go without needed medication because of cost concerns.** Rural beneficiaries are over 60 percent more likely to go without prescription medication because of cost concerns than urban beneficiaries. In addition, because rural beneficiaries pay over 25 percent more out-of-pocket on prescription drugs than urban beneficiaries, they spend a greater percentage of their income on these medications on average.

- **Rural elderly are more likely to have high out-of-pocket spending than urban seniors, even among the chronically ill.** About one-third of rural seniors versus 25 percent of urban beneficiaries have out-of-pocket spending that exceeds $500. This difference remains even when looking only at older Americans with heart disease, hypertension, stroke and cancer: about 45 percent of these rural seniors have out-of-pocket spending that exceeds $500 compared to 36 percent of chronically ill urban seniors.

- **Rural Medicare beneficiaries are 50 percent less likely to have any prescription drug coverage.** The proportion of rural beneficiaries who lack drug coverage for the entire year is 43 percent compared to 27 percent in urban. This lack of coverage is even more dramatic when looking those who are uninsured for part of the year. About 57 percent of rural Medicare beneficiaries do not have prescription drug coverage for all or part of the year, compared to 44 percent of urban beneficiaries. In addition, the oldest rural seniors are particularly vulnerable to lacking prescription drug coverage. Over half of rural seniors age 85 or older have no drug coverage – over 50 percent higher than urban seniors that age.

- **In rural America, most beneficiaries who lack prescription drug coverage are middle income.** Although rural seniors have lower income than urban seniors, about 45 percent of those without prescription drug coverage have income between 150 and 400 percent of poverty. They would have too much income to qualify for direct premium assistance in most proposed low-income benefits but do not have enough income to afford private insurance.

- **Rural beneficiaries are about one-third less likely to have retiree health insurance.** Only about one in four of rural seniors have drug coverage through employer-based retiree insurance, compared to 35 percent of urban seniors.

- **Less than 1 percent of rural beneficiaries are enrolled in Medicare managed care with a prescription drug benefit.** About 75 percent of rural beneficiaries do not have a managed care option, and no state has more than 30 percent of rural beneficiaries enrolled in managed care. Only one-third of rural managed care enrollees have a drug benefit in their basic benefit, and of those with drug coverage, nearly two-thirds have coverage limit of $1,000 or less for brand name and/or generic drugs.

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- **Premiums for Medigap for rural beneficiaries are high and increase with age.** A typical 65-year old pays about $164 per month for a Medigap plan that includes limited prescription drug coverage. In Montana, the typical monthly premium for a Medigap plan with prescription drugs is $126 if you are age 65, but $184 if you are age 80 or older. On top of these high premiums, rural seniors with Medigap spend on average $442 out-of-pocket for drug costs – 75 percent more than rural beneficiaries with retiree health coverage.

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- Consistent with broader reform. The new, voluntary prescription drug benefit is part of a larger plan to strengthen and modernize Medicare. This plan would make Medicare more competitive and efficient, reduce fraud and out-year cost increases, promote fair payments, and improve preventive benefits in Medicare.

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