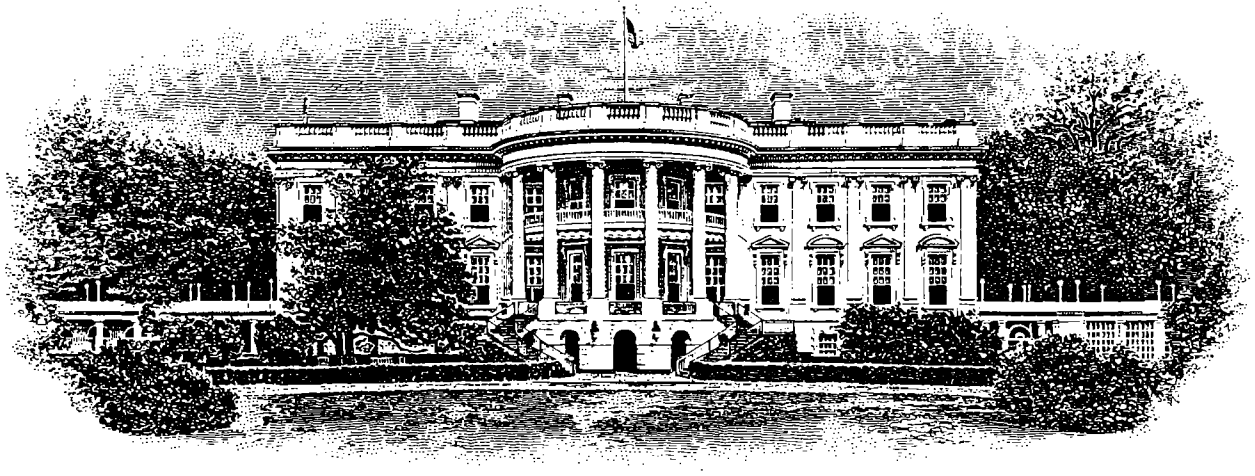
DRUGS

The White House



REPRESENTATIVES OF MEDICARE BENEFICIARIES AND THE DEMOCRATIC LEADERSHIP JOIN PRESIDENT CLINTON TO CHALLENGE THE REPUBLICAN LEADERSHIP TO PROVIDE ALL SENIORS WITH THE CHOICE OF A REAL MEDICARE BENEFIT

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Today, Senate Democratic Leader Daschle, House Democratic Leader Gephardt, and representatives of older Americans, people with disabilities, and pharmacists will stand with the President as he challenges the Republicans to ensure that all seniors can access a real Medicare prescription drug benefit. The President will welcome any effort to assure an affordable prescription drug benefit option for all Medicare beneficiaries, but will underscore that a private insurance drug benefit cannot work to achieve this outcome. He will indicate that he is open to private insurance options, but only if all seniors have the ability to choose an affordable, defined, fee-for-service drug benefit under Medicare. The President will point out that a private insurance model that does not provide such a Medicare option for all beneficiaries would be nothing more than an empty promise.

PRESIDENT CLINTON AND THE DEMOCRATIC LEADERSHIP AGREE WITH SENIORS' CONCERNS ABOUT THE REPUBLICAN PLAN. Today, representatives of millions of older Americans and people with disabilities voiced their concern that, according to the sketchy details available on the Republican plan, would provide a prescription drug benefit through a flawed Medigap-like model that could not assure Medicare beneficiaries it is available or affordable. The Republican plan appears to:

- **Fail to assure the availability or stability of drug coverage options.** 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. 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.

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

- **Fails to ensure the affordability of coverage options.** Under the Republican plan, it appears that 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 relies on a flawed "trickle-down theory" that would end up subsidizing insurers, not seniors. The Republican proposal appears to 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.

- **Does not guarantee a meaningful benefit.** The Republican plan appears to specify only the stop-loss amount. Private insurers could define deductibles, copays and benefit limits, promoting competition on confusion rather than price and quality. In addition, relying on an insurance model where insurers get paid one premium for all enrollees – no matter how sick – and can define the drug benefit puts sicker seniors and people with disabilities at risk of adverse selection. 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.

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