REPLY TO THE REPUBLICAN RESPONSE
TO THE PRESIDENT'S STATE OF THE UNION ADDRESS ON HEALTH CARE

HEALTH INSURANCE COVERAGE INITIATIVE

CLAIM: **"The last time he [the President] proposed a health plan was seven years ago... It would have forced every American into a Washington-run HMO and denied them the right to choose their own doctor."**

RESPONSE: **This is patently false, divisive rhetoric designed to thwart any progress towards improving the health care system.** While it is not constructive to start the Health Security debate all over again, it is important to note that the President's 1993 proposal: (1) relied on private employers to cover their employees with private health insurance; and, (2) unlike today's system, would have provided many plan choices, including at least one fee-for-service option that would guarantee that every American could choose their doctor. Today, it is ironic that the Republican leadership raises concerns about a Washington-run HMO when they have aligned themselves with the insurance industry to oppose the Patients' Bill of Rights. We can only hope the Republican rhetoric after the State of the Union on their concern about HMOs signals a change in their position on supporting the passage of a strong, enforceable, Patients' Bill of Rights.

CLAIM: **"... [E]ach new proposal we heard about tonight – and there were about 11 of them in health care alone – comes with its own massive bureaucracy."**

RESPONSE: **There is no new bureaucracy in the President's plan.** Each targeted proposal builds on existing private as well as public insurance options.

Builds on the very children's health insurance program that Senator Frist claims is a Republican accomplishment. The President's plan simply adds uninsured parents to the health insurance that their children already have – no new applications, no new health plans, no new bureaucracy is needed.

Additional initiatives build on programs currently in place. The other proposals are either tax incentives or are extensions of the currently existing Medicare and Medicaid programs.

Helps make private insurance more affordable. Under the President's plan, states would be able to help working families afford insurance through their jobs when they have the option. Similarly, the tax credit for COBRA continuation coverage and small businesses purchasing insurance through coalitions help people purchase high-quality private health plans.

CLAIM: **"Already because of Republican efforts, five million more children now have access to health care; if you change jobs, you can now take your health insurance with you; new mothers can leave the hospital when their doctor, not some bureaucrat, says they're ready. And we're doubling research for more and better cures."**

RESPONSE: **We're pleased that the Republican leadership is now claiming credit for these bipartisan initiatives.** Clearly, these laws would not have been enacted without the President's strong advocacy and Democrats' consistent support. However, we are pleased that Republicans are now associating themselves with these successful, bipartisan initiatives. As is illustrated by this statement by Senator Nickles shortly before the passage of S-CHIP (State Children's Health Insurance Program): "No one in their wildest dreams would have said we should have $36 billion to solve this problem, which I guarantee you is not that big." (The Congress ultimately enacted $48 billion over 10 years to help provide coverage to the nation's 11 million uninsured children.)

Ironically, the President's current initiative builds on these so-called Republican successes. Senator Frist praises the Kennedy-Kassenbaum insurance reform initiative and the S-CHIP as Republican accomplishments. Yet, he criticizes the President's proposal to build on the state administered, S-CHIP program and extend access to insurance for their parents. This is despite the fact that insuring parents through S-CHIP is one of the highest priorities of nation's Governors, the great majority of whom are Republicans.

MEDICARE

CLAIM: **"The answer [to prescription drugs] is not government-dictated price controls that stop life-saving research, or forcing the 65 percent of seniors who now have drug coverage to pay more or give up what they have."**

RESPONSE: **The President agrees – his plan has no price controls and would not force any senior to give up what they now have.** Even the pharmaceutical industry has acknowledged that the President's plan is voluntary and has no price controls. The President's proposed prescription drug benefit simply provides another choice for beneficiaries, and as such, would not force any Medicare beneficiary into the program. It provides an affordable option for millions of beneficiaries, but is also provides billions of dollars of subsidies to employers to encourage them to maintain their private retiree health benefits. These employer subsidies are important because many employers are dropping this coverage at historic and extremely troubling rates. Finally, the plan is administered in exactly the same

way that virtually every private insurer manages their drug benefit today. They contract out with private pharmacy benefit managers and / or managed care plans – and the Medicare program would do the same thing.

Most seniors who have drug benefits do not have dependable coverage, but are freely able to retain their current coverage under the President's plan. The number the Republicans cite as reflecting how many seniors have drug coverage includes beneficiaries with managed care and Medigap coverage – which is unstable, unreliable and frequently extremely expensive. It does not take into account that the number of firms offering retiree health plans has declined by 25 percent over the last four years. The truth is that over 3 in 5 Medicare beneficiaries do not have dependable drug coverage. The only way to ensure that older Americans have access to a dependable benefit is to provide a voluntary Medicare benefit that is affordable and accessible to all.

CLAIM: **"But just last year the President said "No" to [the Breaux-Thomas] plan put forth by the "National Bipartisan Commission" – the very commission the President and Congress appointed to save Medicare.**

RESPONSE: **The President did not support the Breaux-Thomas plan considered by the Medicare Commission because it would not "save" Medicare and did not achieve sufficient consensus to be formally recommended by the Medicare Commission.** The reason why seven out of the nine members appointed by the Democrats opposed the Breaux-Thomas plan was that it would: (1) explicitly increase premiums between 10 and 30 percent for those beneficiaries who choose to stay in the traditional fee for service Medicare program; (2) raise the eligibility age for the Medicare program without a proposal to provide an affordable alternative -- inevitably increasing the number of uninsured Americans; (3) fail to moderate the impact of the Balanced Budget Act's Medicare provider reimbursement changes, and in fact assumed their extension into the future; (4) provide an inadequate, means-tested drug benefit that would only be available to those below 135 percent of the poverty line, excluding more than one half of those currently without drug coverage; and (5) did not dedicate one cent from the surplus to extend the life of the Medicare program.

Although he could not support the Breaux-Thomas plan, the President praised the Commission's work and committed to – and did unveil – his own comprehensive reform proposal. The President's proposal to modernize and strengthen Medicare, which was widely praised by health economists and policy experts, would: (1) make the fee for service and managed care programs more competitive through market-based initiatives; (2) modernize the benefits by providing for a voluntary, affordable prescription drug benefit available to all beneficiaries; and (3) dedicate nearly $400 billion of the on-budget surplus to extend the life of the Trust Fund to 2025 and help pay for the drug benefit.

The President's commitment to Medicare is longstanding and he has a record to prove it. Since 1993, under the President's leadership, Medicare spending growth has been cut by two-thirds and Medicare solvency has been extended from 1999 to 2015. He enacted bipartisan legislation in 1993 and 1997 to improve Medicare, reducing spending growth and adding important new preventive benefits. The President has also taken aggressive action to improve quality and reduce waste and fraud, and worked with the Congress, providers, and others on a bipartisan basis to address reimbursement shortcomings last year.

CLAIM: **" For this to happen, Mr. President, all we need is for you to tell the American people "Yes" to this...plan to fix Medicare, so that people like my fellow Tennessean, Patricia Brown, whom we have honored in the gallery this evening, will have the vital prescription drug coverage she needs.."**

RESPONSE: **Medicare beneficiaries like Mrs. Brown would receive no coverage from the prescription drug benefit included in the Breaux-Thomas plan.** Mrs. Brown – and the tens of million of beneficiaries who have no or unreliable drug coverage – would not be eligible for the drug benefit in the Breaux-Thomas plan. That plan limited coverage to beneficiaries with incomes below 135 percent of the poverty level – only about $11,000 for a unmarried senior. Mrs. Brown's $15,000 in income makes her too wealthy to access this benefit. In fact, more than half the uninsured beneficiaries today would receive absolutely no benefit.

CLAIM: **"And tonight, to show you that we are sincere and that we mean business, Republicans take a first step towards making Medicare stronger. To guarantee that seniors can rely on Medicare forever, we will add it to the Social Security lockbox...."**

RESPONSE: **A new lockbox will not extend Medicare solvency for a day – let alone "forever."** To date, the Republican leadership has refused to dedicate one penny of the on-budget surplus to extend the life of the Medicare program. We would hope that the intent of their language is that they are contemplating altering their position and dedicating a portion of the on-budget surplus to Medicare. If they did, we would welcome such a development because, as is the case in the President's proposal, it would have the effect of reducing debt and freeing up resources that can be used to care for the baby boom generation when it retires.

PATIENTS' BILL OF RIGHTS

CLAIM: **"Unlike the President, we see lawsuits as a last resort, not the first."**

RESPONSE: **So do we.** The real news here is that Senator Frist and the Senate Republican leadership, for the first time, are apparently agreeing with Governor Bush and Senator McCain that all Americans in all health plans have the patient protections that they need, including to access to remedies through the courts for who have been harmed or those who have died as a

result of arbitrary actions by health plans. We hope and believe this signals the possibility of a long-overdue agreement on a strong, enforceable, Patients' Bill of Rights.