



## A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

### **Families USA Distorts Truth about New Medicare Benefits**

*(Courtesy: Committee on Ways and Means)*

**CLAIM: The Medicare program is prohibited from negotiating lower drug prices.**

**RESPONSE:**

- Keeping the government from negotiating prices also prevents the government from deciding which drugs seniors can and cannot take. Do seniors really want the government in their medicine cabinets? That's what would happen if the government had the authority to negotiate drug prices.
- Instead, the bill relies on the private sector to negotiate on behalf of seniors. The Medicare prescription drug plans that will provide the drug benefit to seniors are NOT prohibited from negotiating price discounts with drug manufacturers.
- HHS estimates that by having private sector plans negotiate with drug manufacturers, savings on some drugs could be more than 50 percent.
- The non-partisan Congressional Budget Office has stated that "because [private plans] will be at substantial financial risk, [they] will have strong incentives to negotiate price discounts" and as a result, "substantial savings will be obtained by the private plans."
- Democrats once understood this dynamic. In June 2003, more than 70 percent of the Senate Democratic caucus voted for the non-interference language, including many who are currently criticizing it (S.1, 108<sup>th</sup> Congress). The identical language was in legislation introduced by the Senate Democratic Leader in 2000 (S. 2541, 106<sup>th</sup> Congress), and in the 2000 Stark motion to recommit that was supported by 203 House Democrats.

**CLAIM: Seniors will only be allowed to purchase less expensive drugs from Canada if the Secretary of Health and Human Services gives his explicit approval.**

**RESPONSE:**

- Priority number one is the safety of all patients.
- Both Republican and Democrat Administrations have taken seriously their responsibility to ensure the safety of all prescription drugs.
- HHS Secretary Tommy Thompson has announced the creation of a task force to evaluate the issue of drug importation.
- It is important to realize, however, that the new law takes significant steps to bring down drug prices here in the US, by bringing generic drugs to the market faster and allowing seniors to buy drugs as part of a big group.
- These changes significantly lower the cost of drugs so that drugs may even be cheaper than the unmonitored imports from Canada.

**CLAIM: There is a significant gap in coverage being referred to as the "doughnut hole."**

**RESPONSE:**

- Let's focus on what the bill DOES do: for the first time ever, the Medicare program will now provide significant coverage of outpatient prescription drugs.
- When the drug benefit goes into effect in 2006, the typical senior will spend less than \$1,900 on drugs and will not hit the initial benefit limit of \$2,250.
- And 14 million low-income seniors will receive comprehensive drug coverage for up to \$5 per prescription with no "doughnut hole."
- *In fact, the non-partisan Congressional Budget Office estimates that approximately 70 percent of beneficiaries will experience no gap in coverage with the new drug benefit.*
- Those with drug spending in the so-called hole will continue to enjoy negotiated price discounts.
- And once seniors spend \$3,600 out-of-pocket, Medicare will pay 95 percent of all remaining costs.

**CLAIM: There is a strict assets test, which will disqualify many low-income seniors from receiving the help they need.**

**RESPONSE:**

- Very low-income seniors (with incomes below \$17,000 for a couple) receive a 100% benefit and premium subsidy with copayments limited to \$5 per prescription.
- There is an assets test that may disqualify some from receiving the low-income benefit, but ALL seniors are guaranteed a 75 percent premium subsidy regardless of their assets.
- The assets test is the same as the one used for the current Supplemental Security Income (SSI) program, except it is more generous at *three times* the SSI level, and indexed to inflation.
- Many resources are not counted toward the asset test including: a home (with no limit on its value) if you live in it; a burial plot and certain funds set aside for burial expenses; and a car used for necessary transportation, among other resources.
- *Even with the assets test, about one-third of seniors will qualify for low-income subsidies under the law.*

**CLAIM: Seniors will be locked into one discount card for a year while the drugs covered by the card may change every week.**

**RESPONSE:**

- The Secretary of Health and Human Services (HHS) can disqualify card sponsors who engage in "bait and switch" tactics, and HHS will be extremely vigilant in applying this standard.
- Better access to new medicines prescribed by doctors is the reason that drugs can be added to the discount card each week.
- Seniors shouldn't have to wait for discounts on new, state-of-the-art prescriptions simply because they aren't on the list.