

The Trojan Horse Medicare “Deal”: A Bad Deal for America’s Medicare beneficiaries & taxpayers!

*Prepared by the Democratic Staff, Committee on Ways and Means, Charles B. Rangel, Ranking Member
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1) MYTH: *Something is better than nothing.*

REALITY: The Conference Report should be opposed not merely because its benefit is inadequate, but because its “reforms” would seriously harm Medicare. More of the bill deals with Medicare “reforms” than with a drug benefit.

- To get the drug benefit, seniors are forced to join a new drug HMO. These drug HMOs will decide what to charge, which drugs are covered and which pharmacies can be used. Many seniors have had such bad experiences with HMOs that promising them a benefit but then forcing them to go to an HMO to get it is worse than nothing.
- Two to three million retirees that currently have drug coverage from their former employers will lose it because employers are not given sufficient incentives to maintain coverage once they can claim Medicare provides a drug benefit (no matter how bad that benefit may be).
- Millions of low-income seniors who currently get additional assistance from Medicaid would actually be forced to pay more for their drugs.
- Up to seven million seniors would be forced to participate in a program that would change Medicare from a set of guaranteed benefits to a voucher program paying a flat amount toward these benefits. Private HMOs would be given big government subsidies allowing them to artificially lower prices or add benefits in order to entice relatively healthy seniors to leave traditional Medicare. As these seniors leave Medicare, the seniors that want or need to stay in traditional Medicare

would be forced to pay much more just to get the same Medicare they get today.

- The bill would arbitrarily limit government spending for Medicare, regardless of need. It creates a new unfair double standard for Medicare that does not apply anywhere else in the Federal budget. If Medicare costs increase for whatever reason, benefits will be cut to make up the difference. For tax cuts, arms, even foreign aid, if costs go up, other tax cuts are not rolled back, other defense areas are not cut and aid for one foreign country is not cut to make room for aid to another. Only Medicare beneficiaries would be squeezed when costs go up.

2) MYTH: *The Conference Report offers seniors immediate drug savings.*

REALITY: Under the Conference Report, senior citizens have to wait until 2006 to get any drug benefit at all.

Republicans claim that seniors will save 15-25% on drug prices because of a discount card provision in the bill. Discount cards already exist today and offer modest savings, if any - nowhere near the promised amount. And there is no evidence that the Conference Report's discount cards will save a penny more than those that are currently available. These cards are not required to offer a single discount on a single drug. Worse, they can advertise discounts to attract seniors but then raise prices once they sign up.

Under the Conference Report, Medicare is empowered to protect drug companies' profits but not seniors' pocketbooks. The Secretary of HHS or any Medicare official is explicitly prohibited from using the bargaining power of Medicare to negotiate lower drug prices for seniors.

3) MYTH: *At least the Conference Report guarantees some drug benefit.*

REALITY: News stories have listed several aspects of the Conference Report's drug benefit. So far, Republicans have successfully hidden the fact that their bill offers a false promise - no particular senior is necessarily going to get that benefit and what they do get is determined by drug HMOs.

First, the benefit often described by Republicans (\$35 monthly premium, \$275 yearly deductible, the plan paying 75% of costs up to \$2200) is not guaranteed to any senior anywhere in the bill. Instead, plans can offer benefits that are "actuarially equivalent." What the individual senior actually gets would be determined by the private insurer or drug HMO, and history suggests that they often exploit such loopholes to increase their profits at the expense of patients.

Also, the costs to seniors that have been reported will increase as the prices of drugs increase. Since the Conference Report does nothing to contain skyrocketing drug costs, seniors will likely have to pay 10% more every year for the same lousy benefit.

4) MYTH: *The Conference Report's reforms save taxpayers' money.*

REALITY: Whatever these Medicare "reforms" may save by reducing the cost of traditional Medicare is lost because taxpayers have to foot the bill for large subsidies for HMOs, PPOs and other private insurance companies to provide benefits for seniors, and because there are no measures to guarantee lower drug prices.

To the extent the reforms could save taxpayers money, it is only in the very long run and only because benefits will be cut dramatically as seniors and people with disabilities are forced to pay a higher percentage of their drug and healthcare costs.

5) MYTH: *AARP speaks for 35 million seniors in its support for the “deal.”*

REALITY: AARP headquarters supports the Conference Report even though it fails to meet AARP’s recently stated goals. Many AARP members and regional officials are in outright revolt over that decision. The AARP has made such mistakes before. Back in the late 80s, it supported “catastrophic drug legislation” that seniors widely objected to and was repealed the next year. This AARP decision was driven not by a poll of their members or by the views of regional AARP leaders but by a small group of AARP executives.

AARP President William Novelli even wrote the preface to Newt Gingrich’s book on healthcare long after Gingrich said Medicare would “wither on the vine.” He wrote “Newt’s ideas are influencing how we at AARP are thinking about our national role ... in our advocating for system change.”

The AARP has a conflict of interest when it deals with this bill. While AARP does purport to represent seniors, it is also a big insurer with \$162 million in earnings last year from the sale of insurance. Newsday reported AARP has “substantial profits from the sales of Medigap and other insurance policies.” AARP also gets much of its funding through partnerships with private insurance and even from drug companies that advertise in its magazines.

68-year-old Les Caraher summed it up in an e-mail posted on the AARP message board: “The AARP is profit motivated pure and simple.”