



CENTER ON BUDGET AND POLICY PRIORITIES

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**Statement By Robert Greenstein,
Executive Director, Center On Budget And Policy Priorities,
Regarding The Signing Of The Medicare Prescription Drug Legislation**

While the nation's seniors need and deserve a drug benefit, the signing of the Medicare legislation today represents an unfortunate development.

At a cost of \$395 billion in the first ten years and over \$1 trillion per decade after that, this legislation will seriously worsen our already harrowing long-term budget problems. It would be one thing if this high cost attached to a sound and vital piece of legislation that had been carefully designed to deliver as much benefit as possible to the nation's elderly and disabled citizens for the cost. Sadly, it does not.

The legislation provides inordinately complicated drug coverage that comes replete with rather gaping holes. At the same time, under the guise of promoting competition, it provides billions of dollars in unwarranted subsidies to HMOs and other managed care plans, paying them substantially more than it costs regular Medicare to provide the same services. Moreover, the legislation fails to include common-sense provisions to moderate the spiraling cost of drugs. The legislation also provides drug coverage that is considerably more limited than has been advertised, while denying beneficiaries the right to purchase supplemental coverage to help fill the holes in the drug benefit. It gives most beneficiaries only one way to get broader coverage -- by giving up their choice of doctors and enrolling in an HMO that can afford to provide more substantial drug coverage because of the excessive government subsidies it will receive.

Also of concern, the legislation turns delivery of the drug benefit over to private plans that can elect to cover a limited number of drugs and to deny coverage for other drugs. In addition, it makes several million of the lowest-income seniors and disabled people worse off, requiring them to pay more for drugs than they currently do under Medicaid and allowing private plans to deny them drugs that their doctors prescribe and Medicaid currently covers.

Finally, the legislation establishes a lucrative new health-insurance-related tax shelter that could cause premiums for comprehensive employer-based health insurance to rise substantially over time. This component of the legislation provides tax inducements for healthier, more affluent workers to switch from comprehensive health insurance to the high-deductible health insurance policies that would be packaged with the new tax shelters. This could cause the pool of employees who remain in comprehensive employer-based coverage to become older and sicker, on average -- and hence more costly to insure -- with the result that premiums for comprehensive employer-based coverage could increase a great deal.

In short, the legislation is fraught with problems. It is difficult to justify sharply worsening the nation's long-term fiscal outlook to enact it.

The updated report on this topic, "The Troubling Medicare Legislation," is posted to <http://www.cbpp.org/11-18-03health2.htm>.