



CENTER ON BUDGET AND POLICY PRIORITIES

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MILLIONS OF POOR SENIORS AND PEOPLE WITH DISABILITIES COULD END UP WORSE OFF UNDER NEW MEDICARE AGREEMENT

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Under the Medicare conference agreement, certain low- and moderate-income beneficiaries now without drug coverage would gain assistance for some of their drug costs. However, many of the nation's poorest and sickest Medicare beneficiaries could find themselves with *less* drug coverage than they now have through Medicaid, a new Center analysis finds. These people would pay more for drugs (and possibly much more, depending on details that are still being finalized). They also would lose coverage for certain drugs altogether if Medicaid covers the drugs but the private plan that administers the Medicare drug benefit in their area does not.

“This conference agreement weakens drug coverage for many of the nation's poorest elderly and disabled people despite a price tag of \$400 billion,” said Center Executive Director Robert Greenstein. “This problem could have been averted by providing less extensive subsidies to for-profit HMOs, PPOs, and other provider groups and taking better care of those most in need.”

The elements of the legislation that will adversely affect low-income and disabled seniors were added during conference negotiations, apparently as a way to free up more funds for larger subsidies for more powerful groups. “It's interesting to note that this was done at the same time that a \$12 billion ‘slush fund’ was added to the bill for private insurers,” noted Edwin Park, the report's lead author.

Up to 6.4 Million Seniors Could Be Affected

The seniors who could end up worse off under the conference agreement are the so-called “dual eligibles,” or Medicare beneficiaries whose incomes are low enough to qualify them for Medicaid. There will be 6.4 million such individuals when the proposed Medicare drug benefit takes effect in 2006.

Under current law, when a benefit or service is covered by both Medicare and Medicaid, people who are eligible for both programs receive it through Medicare. Medicaid, meanwhile, fills in any gaps in coverage and picks up most or all of the co-payments that Medicare charges. The conference agreement would largely eliminate this supplemental (or “wrap around”) Medicaid coverage for the new Medicare drug benefit. This marks an unprecedented change in the way the two programs interact. For low-income seniors, it means generally higher co-payments and possibly the loss of coverage for certain drugs.

Drug Co-Payments Could Rise to Unaffordable Levels for Many

Currently, Medicare beneficiaries who receive drugs through Medicaid either pay no co-payments or are charged nominal amounts such as \$1 or \$2 per month per prescription. Under the agreement, they would pay \$3 or \$5 (depending on their income) per month per brand-name prescription and \$1 or \$2 for generic drugs. There would be no ceiling on the total monthly charges imposed on a poor beneficiary who is sick and thus has a large number of prescriptions.

These co-payment charges would grow each year. For those below the poverty line (\$8,980 for an individual), co-payments would be indexed to the Consumer Price Index. For those above the poverty line, most of whom have catastrophic medical expenses, co-payments would rise at the rate of Medicare drug costs. This distinction has major implications, especially for low-income and disabled seniors. Social Security benefits, on which most of these individuals rely, grow only at the rate of the Consumer Price Index, or around 2-3 percent per year. Drug costs are growing about four times faster, or around 10 percent per year.

Thus, elderly people and people with disabilities whose incomes are modestly above the poverty line — individuals who now receive drugs at little or no cost through Medicaid — will face co-payments that rise much faster than their incomes. Some of them, especially those who have serious medical conditions or disabilities and consequently have been prescribed a large number of medications, could eventually find themselves unable to afford medically necessary drugs as a result.

Some May Lose Coverage for Drugs Medicaid Covers But Medicare Doesn't

Under the new Medicare drug benefit, each Medicare drug plan could have its own list of covered prescription drugs. These plans will have a financial incentive to exclude drugs that are expensive or are often used by beneficiaries with higher-than-average drug costs. Moreover, because of the elimination of “wrap-around” Medicaid coverage, Medicaid beneficiaries may *not* be able to receive a drug through Medicaid if Medicaid covers the drug but their Medicare plan does not, even if it is the only drug that is effective for an individual patient. In such cases, seniors who are unable to afford the full cost of the drug might have to do without it.

The Center's report, *Medicare Agreement Would Make Substantial Numbers of Seniors and People with Disabilities Worse Off Than Under Current Law*, is available on the Center's website.

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