

## NEWS RELEASE

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### 6.4 MILLION MEDICARE BENEFICIARIES WOULD RECEIVE NO MEDICARE DRUG COVERAGE UNDER SENATE DRUG BILL

More than 6 million low-income Medicare beneficiaries would be denied the Medicare prescription drug benefit under the Senate version of the Medicare drug bill, according to a new Center analysis. Known as “dual eligibles” because they are fully eligible for both Medicare and Medicaid, these 6 million individuals — about a sixth of all Medicare beneficiaries — would continue to receive drug coverage through Medicaid. But that coverage would vary from state to state and would likely be more restrictive in many states than the new Medicare drug benefit, since many state Medicaid programs limit the availability of prescription drugs.

“Many of Medicare’s poorest participants will likely end up with less drug coverage than Medicare recipients who are better off,” stated Leighton Ku, the report’s author.

Every state contains Medicare beneficiaries who would not receive the Medicare drug benefit under the Senate bill, and nearly half of the states contain more than 100,000 such individuals. These states include **California** (where 915,000 Medicare beneficiaries would be ineligible for the Medicare drug benefit when the benefit takes effect in 2006), **New York** (559,000), **Texas** (447,000), **Tennessee** (214,000), **Illinois** (155,000), and **Louisiana** (119,000). The Center’s report lists the number of individuals in each of the 50 states and the District of Columbia who would be affected.

#### Bill Abandons Medicare Commitment to Universal Coverage

Another new Center report, authored by Melanie Nathanson, Edwin Park, and Robert Greenstein, examines the broader context of the Senate bill. Since the creation of Medicare in 1965, its bedrock principle has been universality, or the promise that upon turning 65, all Americans would be eligible for full Medicare benefits regardless of their income, place of residence, or ethnicity. Never before in the program’s history has a Medicare beneficiary been denied access to a covered Medicare benefit. In the case of benefits that both Medicare and Medicaid cover, Medicare has always been the primary payer.

The Senate bill would abandon universality and create a two-tiered Medicare system that excludes many seniors and people with disabilities from the drug benefit essentially because they are poor. In contrast, the House’s Medicare drug bill — though it contains a number of other troubling provisions that raise serious concerns — would maintain the universality of Medicare benefits by ensuring that all beneficiaries, including dual eligibles, are eligible for the drug benefit.

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## **Fiscal Burden on States Would Continue to Grow**

In recent years, Medicaid has paid an increasing share of the cost of health coverage for elderly and disabled people, while the share of this cost paid by Medicare has shrunk. One reason is the expanding use of drug therapies, the cost of which is borne entirely by Medicaid. Another reason is that Medicare doesn't cover the cost of long-term care, leaving Medicaid wholly responsible for nursing home coverage.

Since Medicaid is jointly financed by the states and the federal government while Medicare is wholly federally funded, the growth in Medicaid's share of the cost of covering elderly and disabled people has squeezed state budgets, especially during the current economic slump. That pressure will intensify in coming years as the number of elderly and disabled individuals increases due to the baby boomers' retirement.

As states are forced to allocate an increasing share of their Medicaid budget to their growing elderly and disabled caseloads, they will likely be unable to maintain adequate health coverage for other Medicaid beneficiaries, such as children, pregnant women, and working parents. Large cuts in Medicaid eligibility or benefits for these groups could result.

To address this problem and help states continue to afford to finance their share of Medicaid costs when the baby boomers retire, the nation's governors have recommended on a bipartisan basis that the federal government assume more of the cost of health coverage for people who are eligible for both Medicare and Medicaid. Including these dual eligibles in a Medicare drug package would be an important step in this direction. The House drug bill takes this step but the Senate bill does not.

### **Cuts in Medicaid Eligibility for Elderly and Disabled Could Result**

Under the Senate bill, a number of states also would have a strong incentive to reduce Medicaid eligibility for elderly and disabled individuals. Currently, 19 states<sup>1</sup> cover more elderly and disabled people than federal law requires; most of them cover such individuals with incomes up to the poverty line, while the federal requirement is only 74 percent of the poverty line. The Senate bill would create a perverse incentive for these 19 states to scale back eligibility for full Medicaid coverage part or all of the way to the federal minimum level. By doing so, they would shift from Medicaid to Medicare, and hence to the federal government, the costs of prescription drug coverage for the elderly and disabled individuals who would no longer be eligible for Medicaid.

Though these individuals would receive drug coverage through Medicare, they could lose coverage for vital services that Medicaid covers but Medicare does not, such as nursing home care, home and community-based care for frail elderly and disabled individuals seeking to remain in their home rather than enter a nursing home, and acute care services such as vision and

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<sup>1</sup> California, Florida, Hawaii, Illinois, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, and the District of Columbia.

dental services. As a result, these poor elderly and disabled individuals could end up with worse health care coverage than they have now.

Two new Center reports on these issues being released today — *How Many Low-Income Medicare Beneficiaries in Each State Would Be Denied the Medicare Prescription Drug Benefit Under the Senate Drug Bill?* and *Senate Prescription Drug Bill Would Exclude Millions of Low-Income Beneficiaries* — are available on the Center’s website.

The **Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

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