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President Promises Much, Delivers Little

The Truth Behind Clinton's Prescription Drug Proposal

Bill Clinton has long indicated he intends to make prescription drug benefits a major agenda item of his final year in office. To date (and prior to his State of the Union address), the Administration's proposal is for a phased-in prescription drug benefit as a new, voluntary Part D program beginning in 2002. Beneficiaries would have no deductible and the government would pay half the cost of their drugs up to $2,000 in 2002, and up to $5,000 in 2008. Beneficiaries at 135 percent of poverty or less would pay neither premiums nor cost sharing, and those up to 150 percent of poverty would receive unspecified assistance.

As usual, lost in the Clinton rhetoric is the typical Clinton reality: his proposal delivers far less than what he promises. While we do not know how or if he may repackage his plan tonight, as of now not a single member of either the Senate or the House has introduced the Clinton prescription drug proposal as legislation. And that is not surprising because once the actual Clinton proposal is examined, the reasons for this stunning lack of support are readily apparent.

Seniors' Premium Will Increase. This new benefit would cost beneficiaries an additional $24 per month in 2002 and increase 83 percent to $44 per month in 2008. These would be *on top of* existing Medicare Part B premiums, which are estimated to be $58 per month and $94.60 per month in 2002 and 2008, respectively. Thus, these will represent a 41-percent and 21-percent increase in beneficiaries' voluntary coverage costs in 2002 and 2008.

Seniors' Existing Drug Coverage is Endangered. The Clinton proposal threatens both employer-provided prescription drug coverage and private Medicare supplemental coverage known as "Medigap." By creating a heavily subsidized government-run plan, "crowd-out" (whereby private insurance is replaced by publicly funded insurance) is a certainty. In short: Why would a private employer shoulder the cost of providing drug coverage for seniors when the federal government would provide their employees/retirees coverage at no cost to the employer?

Further, the Clinton proposal makes explicit changes in the Medigap market in which many seniors now purchase supplemental coverage. According to the Congressional Research Service, existing Medigap policies which are currently enjoyed by seniors "would be revised to

conform" to Clinton's proposals. Furthermore, Medigap issuers would be required to extend current enrollment periods and to allow additional groups to be eligible. This change assuredly will raise premium costs to seniors currently holding these policies and/or endanger the offering of these plans altogether.

Bureaucracy and Mandates Will Increase. Reminiscent of the Clintons' failed attempt to nationalize America's health care system in 1994, the current prescription drug proposal would establish a host of new mandates and bureaucracies. Prescription drug coverage would be provided by single regional entities who competitively bid for this right — reminiscent of the "Health Alliances" of 1994. Federal mandates and restrictions would apply not only to the regional entities but pharmacies who participated as well. In addition, the regional entities would have to control prices. The Administration has not fully stipulated how these goals would be met.

Real Needs Not Met. Paradoxically while the Clinton proposal is very expensive (see below), it does not distribute its money effectively from a policy standpoint. The Administration's subsidy begins with the first dollar spent but nonetheless requires a 50-percent contribution for anyone over 150 percent of poverty. Thus most seniors will have to immediately pay cash out of pocket. A senior would have to have a minimum of $576 in total drug costs to even break even with the first-year premium cost. While seniors would find they are not insulated from expenses at the low end, neither are they at the top end — once they breach the $5,000 total expense cap in 2008. In sum, the Clinton proposal puts its subsidy in the middle where it's least needed.

Clinton's Cost Estimate Increases Almost 50 Percent in One Year. In the course of one year and before a single prescription has been filled, the Administration's estimate of the cost of its proposal has increased 50 percent. Last year the White House claimed its proposal cost $118 billion. Recently, the Administration admitted its latest estimate of the cost is $168 billion. With so complex a plan and so many unspecified policies, mandates, and regulations, it must be expected this plan will only get more expensive.

Clinton's Proposal: Past Is Prologue. The Clinton proposal cannot be examined in a vacuum — separate from his so-called comprehensive Medicare reform proposal, of which it is a part, or from his past Medicare efforts. Clinton and his appointees to the Bipartisan Medicare Commission used the prescription drug issue to sabotage the commission's real reform efforts last year. His own so-called reform proposal relies on hundreds of billions of dollars' worth of double-counting to feign trust fund solvency in the future — yet not a cent of actual money to pay the benefits when the bills come due. His last budget proposed $19 billion worth of Medicare cuts. In every year of his presidency he has ignored the dire warnings offered by the Medicare trust fund's trustees about the program's financial health. These past realities don't bode well for his promises of the future.

Written by Dr. J.T. Young, 224-2946