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## **Graham III Prescription Drug Plan: More Cost, Fewer Benefits**

Why would one offer a Medicare prescription drug plan with fewer benefits but higher costs than plans Congress has already considered? That's the question that should be asked of Senator Graham regarding his latest proposal.

With his third Medicare drug proposal this summer (as revised several times in the last few days), Senator Graham has offered up a prescription drug plan that offers no benefits to most seniors while costing taxpayers almost \$400 billion over the next 10 years. It's an extraordinary effort to spend a lot to benefit a few.

### **Graham III's Costly Benefits**

Graham III is comprised of three benefits. First, the plan offers seniors access to a discount prescription drug card in addition to a "guaranteed" 5-percent discount funded with tax dollars. Second, the plan offers seniors with incomes below 200 percent of the poverty level comprehensive coverage for their prescription drug costs. And third, the plan includes a catastrophic cap of \$3,300 in out-of-pocket spending for all seniors. Here are some concerns:

### **Low-Income Benefit Has No Phase-Out**

Under Graham III, only seniors who earn less than 200 percent of poverty get a comprehensive benefit. *Because there is no phase-out of coverage, seniors earning a dollar more than the specified level lose all their benefits.* This is remarkably bad policy. Didn't Congress just get rid of the Earnings Limit under Social Security? Why would we want to reinstate one through Medicare?

Graham III, however, is worse than the Earnings Limit. It creates a cliff effect, where seniors face the choice of either earning more money and losing all their prescription drug benefits or foregoing income and other needs in order to preserve their health benefits. Not a pretty choice, and certainly an unnecessary one. Congress has worked hard over the past 20 years to eliminate this cliff effect in our tax policy. Graham III would move us in the wrong direction with our federal health programs.

### **Graham III Offers Less Than Competing Plans**

Despite its enormous price, coverage under Graham III is not substantially more, and often much less, than any of the three main Republican alternatives – the House-passed bill, Hagel/Ensign or

Tripartisan. Both the House-passed and Tripartisan plans cover half the prescription drug costs for middle-income seniors. Graham III doesn't. Under Graham, modest income seniors get no benefits until their out of pocket costs total \$3,300.

The catastrophic limit Graham III also compares poorly when you consider the plan's cost. The \$3,300 limit under Graham III is similar to the Tripartisan plan. Hagel/Ensign provides seniors with income of up to four times the poverty level a catastrophic ceiling of \$3,500. And the House plan has a \$3,800 ceiling. Yet all three Republican plans cost billions less than Graham III.

## **Donut Hole? How About the "Graham Canyon"?**

In the past, the coverage gap between low-income benefits and catastrophic caps has been described derisively as a "donut hole." Republicans have been reluctant to criticize "donut holes," since the alternative of comprehensive coverage for all seniors, regardless of how wealthy they are or how little they pay for their drugs, is neither affordable nor is it necessarily good policy.

Nonetheless, considering the broadside attacks senators Kennedy, Graham, and others made regarding the gap in coverage offered by the Tripartisan and House-passed plans, it should be noted that they have now completely reversed course and offered a plan with the largest hole of all. Remember the rhetoric from just last week?

"The proposals that include a so-called doughnut, or coverage gap, give pause for concern, simply because during some parts of the year, seniors would not receive any assistance."

– Senator Baucus, *Congressional Record*, 7/23/02

"People want a benefit that is affordable and reliable. The Democratic bill meets that criterion. Unfortunately, the bill from the other side does not...the Republican plan has an enormous gap in coverage."

– Senator Edwards, *New York Times*, 7/24/02

"Under their plan, benefits are so inadequate that senior citizens will still be forced to choose between food on the table and the medicines they need to survive. There is a high deductible and a large coverage gap."

– Senator Kennedy, *Congressional Record*, 7/23/02

Not to beat an obvious point, but these comments apply to Graham III more than they ever applied to the three Republican plans.

## **"Hot Off the Press"**

The Republican Policy Committee has already explored how Majority Leader Daschle and Senate Democrats have mismanaged the Medicare prescription drug debate. (See RPC papers “*Medicare Reform Effort Scripted For Failure*” and “*Senate Debating Largest Entitlement Reform in History Without Input from Finance Committee.*”) This latest effort continues on that path. Until this evening, there were no hearings, no markups, and no input. Moreover, there was no legislative language. The following July 30<sup>th</sup> exchange which took place as Graham III was being offered summarizes the situation:

**Mr. Gregg:** Is it my understanding that the piece of legislation, which increases spending by \$400 billion over the next eight or ten years, isn't available for us to read?

**Mr. Reid:** I would say to my friend . . . it's just being copied. Your floor staff asked for a copy of it and Senator Graham did not have an extra copy. So it's hot off the press. We do have one.

**Mr. Gregg:** Well, that's good to know that we're going to have a chance to take a look at this piece of legislation. Do we expect to vote on this piece of legislation that is just hot off the press today? It's a \$400 billion expansion of the federal government over the next ten years.

**Mr. Reid:** I would say to my friend that it is our purpose to allow the Senate to vote . . . yes, we would like to vote on it today.

**Mr. Gregg:** I thank the Senator.

## **Why So Expensive?**

If Graham III offers America's seniors so little, why does it cost so much? One reason is that the Graham III catastrophic limit makes no distinction between billionaires like Bill Gates and middle-income seniors. Under Graham III, both would pay exactly the same for their prescription drugs.

Another reason Graham III costs so much is because of its test for low-income benefits. Unlike other low-income programs in the federal government, Graham III fails to take into account the value of homes, cars, 401(k)s, and other assets that seniors possess. The sponsors argue this omission protects seniors from losing their homes. Critics point out that income and wealth are not always related, and that failing to account for assets allows extremely wealthy seniors to qualify for a benefit targeted at those with low incomes.

Whatever the reasons, the bottom line is Graham III offers a very small, narrow benefit at an enormous cost to the taxpayer.

## **Real Benefits and Real Help**

The votes in the Senate last week demonstrate that there is majority support in the Senate for the Medicare prescription drug plan that helps low-income seniors and seniors with higher- than-average

drug expenses. Graham III isn't that plan. Its assistance to seniors is modest while its cost is extreme.

The Senate has an opportunity this year to pass meaningful drug benefit for those seniors who need one. What the Democrat majority has done instead, is ensure that no plan will pass this year. Whatever their motivation, low-income seniors and those with high prescription drug costs will be the losers.

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