

NCTR Special Report

President's Medicare Prescription Drug Proposal

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INTRODUCTION

- The President announced on March 4, 2003 his “Framework to Modernize and Improve Medicare,” which includes a new program to offer Medicare beneficiaries prescription drugs. It also touches on other changes, such as the addition of preventive care. The President has allotted \$400 billion over 10 years to change Medicare. That figure includes not only the prescription drug and other coverage described here, but also other changes in the program, such as improving Medicare’s long-term financial stability.
- Medicare was enacted in 1965. It currently provides health care to 40 million individuals age 65 and over as well as certain disabled persons. Medicare does not currently offer outpatient prescription drug coverage. Twenty-four percent of Medicare beneficiaries lack such coverage and others have only minimal coverage.
- The proposal provides three options: a small prescription drug benefit through the existing Medicare program (termed “Traditional Medicare” in the proposal) and more comprehensive prescription drug coverage through two new programs, “Enhanced Medicare” and “Medicare Advantage.” If a Medicare beneficiary were to opt for a new program, he/she would have to accept limits on provider choices. Medicare beneficiaries could remain in the existing program or elect one of the two new programs.
- If the proposal is enacted in 2003, all Medicare beneficiaries (not just those in the new programs) would have access to discount prescription drug cards during 2004. Beneficiaries would pay a nominal enrollment fee, except that low-income beneficiaries would pay nothing. All three options would also offer low-income beneficiaries a \$600 subsidy per year.
- Medicare consists of two major programs: Medicare Hospital Insurance, also referred to as “HI,” or Part A, is the hospital insurance portion. It covers inpatient hospital care, skilled nursing facility care, some home health agency services, and hospice care.

It is funded by the Medicare payroll tax. Medicare medical insurance, known as Part B, helps pay for doctors' services, outpatient hospital care, durable medical equipment, and some medical services that are not covered by Part A. It is funded by general revenues and beneficiaries' monthly premiums.

COMPARISON OF THREE OPTIONS

	Traditional Medicare	Enhanced Medicare	Medicare Advantage
Type of Option	Existing Program, which provides a fee-for-service, sometimes known as an indemnity program	Proposed program modeled on Federal Employee Health Benefit Program (FEHBP), which offers a choice of health care plans from which federal employees and Members of Congress select. (FEHBP provides fee-for-service, managed care, and other types of health care plans)	Re-packaged version of existing Medicare + Choice program (a type of managed care option available to Medicare beneficiaries)
Key Element of Each Option	Discount card provides 10 to 25 percent reduction in cost of prescription drugs at no additional cost	Subsidized prescription drug coverage. Beneficiary pays annual deductible, monthly premium, and co-payments (proposal does not provide details) and federal government pays remainder. (It is unclear from the proposal whether Enhanced Medicare would offer the discount card after the subsidized coverage went into effect in 2006.)	Subsidized prescription drug coverage. Beneficiary pays annual deductible, monthly premium, and co-payments (proposal does not provide details) and federal government pays remainder. (It is unclear from the proposal whether Medicare Advantage would offer the discount card after the subsidized coverage went into effect in 2006.)
Special Provisions for Low Income Beneficiaries	\$600 per year subsidy in addition to discount card	Prescription drug benefits at no additional cost and a \$600 subsidy	Prescription drug benefits at no additional cost and a \$600 subsidy

Catastrophic Coverage	Protection against high out-of-pocket costs (proposal gives no details) at no additional cost (current program does not protect beneficiaries from uncapped costs)	Limits on out-of-pocket prescription drug costs (proposal gives no details)	No details in proposal
Preventive Care	No change (under existing program, certain preventive services available only after Part B deductible met and many preventive services require co-insurance)	Coverage of preventive benefits, including screenings for cancer, diabetes, and osteoporosis	Coverage of preventive benefits, including screenings for cancer, diabetes, and osteoporosis
Effective Date	2004 for discount card and \$600 subsidy for low income Medicare beneficiaries	2004 for discount card and \$600 subsidy for low income Medicare beneficiaries 2006 for broader prescription drug program	2004 for discount card and \$600 subsidy for low income Medicare beneficiaries 2006 for broader prescription drug program