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## **Medicare Adds Prescription Drug Benefits**

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Last week Congress passed landmark legislation adding coverage of prescription drugs to the Medicare program. Although inclusion of prescription drugs in Medicare was long overdue, very legitimate questions arise concerning the costs of the program--\$400 billion in the first ten years alone--and the structure of the new benefit. More on this in a moment.

The Medicare bill is very good for the medical services industry and for drug companies. It increases payments to doctors and to hospitals, especially those in rural areas. Drug companies clearly benefit from adding \$400 billion in government spending on prescription drugs. And they avoided any government interference in setting drug prices and killed nascent attempts to include a drug re-importation plan in the bill. The clamor over privatization is way overblown.

The bill only calls for a test program pitting private insurers against Medicare in six metropolitan areas by 2010. The new drug benefit is voluntary and is paid for under a sliding scale premium structure, with wealthy seniors paying more for premiums and co-pays. Under standard coverage defined in the bill, a beneficiary is responsible for the first \$250 in drug costs each year. On the next \$2,000 of costs Medicare covers 75 percent and the beneficiary pays 25 percent, or \$500. The beneficiary is then responsible for the next \$2,850 in costs. Thus, the beneficiary pays \$3,600 for the first \$5,100 worth of medicines, and that does not include the monthly premium costs. Thereafter, Medicare pays 95 percent of each prescription. No wonder most seniors are not that impressed with the bill.

But hidden in the uproar over the bill is a very important change to Medicare. Now wealthier seniors will pay more for premiums and for co-pays--and not just for drugs, but for all Medicare services. Lower income seniors will pay less. This is a dramatic departure from the traditional Medicare credo that all seniors should pay the same. This is likely to be the method used to inject additional cost containment into Medicare in the future.

The \$400 billion cost for the initial ten years will balloon dramatically when baby boomers reach their Medicare years. Program costs will be brought down by continuing to inject additional means testing into Medicare as time goes on. Furthermore, I fully expect that this introduction of means testing into Medicare will be replicated as a method to fix Social Security as well.

The simple fact is that the country must contain the costs of Medicare and Social Security, and means testing is one good way to do it in a politically acceptable fashion.

This is Hank Fishkind for 90.7 FM, WMFE news.

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