

Paying More for Less

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by covering prescription drugs**

BUT

Medicare beneficiaries in New York will pay *more* under
proposed reforms!

**The Impact of Medicare Reforms
New York Data**

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Prescription Legislation Forces Beneficiaries in New York to Pay MORE

Congress promises to help Medicare beneficiaries
BUT
beneficiaries will pay *more* under proposed reforms!

The primary impetus of the Medicare reform proposals passed by each house of Congress in July, S1 and HR1, is to lower the cost of prescription drugs for the more than 40 million seniors and people with disabilities enrolled in Medicare. **However, in many ways, each bill will actually increase the cost of prescription drugs and other health care services to people on Medicare.**

This report calculates the number of **New York** Medicare beneficiaries who will have to pay more for certain health care services under the Senate bill, S1, and the House bill, HR1.

First of all, **Medicare beneficiaries will pay more for health services under both S1 and HR1 because both plans provide very poor prescription drug benefits**, much less than those offered in a typical employer plan (and considerably less than those available to members of Congress). While the Congressional Budget Office calculates that nationally Medicare beneficiaries will spend \$1.84 trillion over the next decade on prescriptions, the congressional bills spend about \$400 billion, or less than one-fourth of the costs.

In order to lower the cost of the prescription drug benefit, both plans require separate premiums, deductibles and co-payments for the Medicare prescription drug benefit. In addition, both bills have a large “doughnut”, that is, prescription drug costs that Medicare does not cover at all.

The skimpy drug benefit will mean that a significant portion of seniors and people with disabilities on Medicare will pay more for the new benefit than they now pay for prescriptions. In addition, the establishment of a Medicare prescription drug benefit will give employers, New York’s Medicaid program and New York’s EPIC program an rationale to no longer provide prescription drug benefits, leaving beneficiaries with the weak Medicare prescription drug coverage in the proposed Congressional legislation.

Secondly, **Medicare beneficiaries will pay more for health services because both bills increase the cost of current Medicare services.** Both bills increase the Part B deductible for doctor visits and, for the first time, require annual increases in the deductible.

Co-payments will rise, too. S1 imposes a co-payment for laboratory services for the first time. HR1 imposes co-payments for home health care for the first time.

This report estimates the number of seniors and people with disabilities on Medicare in **New York** who may face higher costs for prescriptions and current Medicare services under S1 and HR1.

A summary of the findings is presented below:

Total number of seniors and people with disabilities who will pay more under the Senate and House bills

New York Data		
Health Service	Number of Beneficiaries Senate Bill - S1	Number of Beneficiaries House Bill - HR1
Number who will pay more for prescription drugs	783,872	653,226
Number of low-income who may pay more for prescription drugs and/or health services	410,898	N/A (see pg. 5)
Number who will lose employer coverage	353,401	305,644
Number who will lose New York EPIC drug coverage.	None	257,000
Number who will pay more for doctor visits	2,248,527	2,248,527
Number who will pay more for home health care	None	114,702
Number who will pay more for lab visits	2,248,527	None

Note: The total number of Medicare beneficiaries in New York is 2,728,967.

Conclusion and Recommendations

To improve the Medicare benefit and to prevent drug and health care costs from rising for the 2.7 million seniors and people with disabilities in New York who are covered by Medicare, the final Medicare legislation should include the following provisions:

1. Medicare should cover Medicaid beneficiaries. A basic tenant of Medicare is that it is a universal program, provided to all Americans over the age of 65. Excluding Medicaid beneficiaries, as is done in S1, violates a foundation principle of Medicare. Covering Medicaid beneficiaries would relieve the states of substantial financial burdens without providing states any incentive to remove dual-eligible beneficiaries from state Medicaid roles.
2. Low-income beneficiaries should be assured of affordable coverage, as is provided in the low-income provisions in S.1. The low-income coverage provisions in H.R.1 would create great hardships for low-income seniors and disabled who rely on Medicare for prescription drugs.
3. Medicare should make employer prescription drug plans whole financially, removing the incentive to drop or lower coverage.
4. The Senate provision to assure seniors the choice to remain in New York's EPIC prescription drug program should be maintained and, in addition, provide that federal funds be used for state drug programs that are available to all Medicare beneficiaries, seniors and people with disabilities.
5. Medicare should not raise costs under Part B by raising deductibles on physician services or imposing co-payments on other services. As it is, Medicare covers a smaller proportion of senior health care costs now than before Medicare was instituted.
6. The legislation should increase the purchasing power of the money available for prescription drugs by offering the drug benefit directly through Medicare, rather than subsidizing private health plans and drug companies at the expense of seniors, as is proposed in both bills.
7. Medicare should not be privatized, at the expense of the nearly 90% of Medicare beneficiaries who rely on traditional Medicare. Under the privatization provisions in the House bill, those beneficiaries would see their premiums increase by as much as 25%.

**New York seniors and people with disabilities
will pay more for prescription drugs under both
the House and Senate Medicare bills**

There are **783,872** Medicare beneficiaries in **New York** who will pay more for prescriptions drugs under the Senate bill.

There are **653,226** Medicare beneficiaries in **New York** who will pay more for prescriptions drugs under the House Medicare bill.

Both the Senate and House bills will require monthly premiums, a deductible and co-payments for people who earn more than 135% of the federal poverty level. These new costs will add up to more than this vulnerable population is currently paying for prescription drugs.

The breakeven point under the Senate bill, that is the point at which the bill starts saving seniors money, is \$1,100. **783,872** Medicare beneficiaries in **New York** lose out on this provision because they pay less than \$1,100 on their prescription drugs. **A total of 48% of Medicare beneficiaries nationwide pay less than \$1,100 for their prescription drugs and therefore will end up paying more in premiums and costs than they get in return from the benefit.** A Medicare beneficiary in this situation, however, will be limited in their ability to opt-out of participating in the drug benefit until it makes financial sense for them to do so, since the bill charges a penalty to beneficiaries who wait to sign up for the Medicare drug benefit.

The breakeven point under the House bill is \$800. **653,226** Medicare beneficiaries in **New York** lose out on this provision because they pay less than \$800 on their prescription drugs. **A total of 40% of Medicare beneficiaries nationwide pay less than \$800 for their prescriptions and therefore would NOT benefit from this provision.**

Better benefits, and better cost relief to seniors and people with disabilities should be the top priority in this bill, not elaborate schemes to shield pharmaceutical companies from government's ability to negotiate discounted prices for seniors.

Source: Number of people enrolled in Medicare in 2001, from Kaiser Family Foundation, State Health Facts Online. This is net of beneficiaries who earn less than 135% of FPL, from State Level Poverty Data for the Medicare Population, Kaiser Family Foundation, June 2003. Estimate of annual prescription drug costs for 2002 from Stretching Federal Dollars: Polity Trade-Offs in Designing a Medicare Drug Benefit with Limited Resources, The Commonwealth Fund, August 2003.

New York Low-Income seniors and people with disabilities on Medicaid pay more for prescription drugs under both the House and Senate Medicare bills

There are **410,898** low-income seniors and people with disabilities in **New York** who will pay more for their prescription drugs under the House and Senate Medicare bills.

The Senate bill does not provide prescription drug coverage for people who are also enrolled in Medicaid. This violates a basic foundation of Medicare: **universality**. However, under the Senate bill, states will have an incentive to reduce or drop Medicaid coverage for seniors and people with disabilities, forcing them to lose other essential health coverage provided by Medicaid (nursing home, home care, vision, dental and hearing) and to pay more for services provided through Medicare (doctor, hospital and lab).

The House bill does cover Medicaid beneficiaries, but does not do enough for low-income individuals who don't qualify for Medicaid. These individuals are vulnerable to very high out-of-pocket costs. Under the House bill, all Medicare beneficiaries, including those with low incomes, would be subject to the "doughnut". The "doughnut" refers to prescription drug expenditures that will not be covered by Medicare. For example, a low-income senior or person with disabilities, who has \$3,000 of prescription drug costs, would still have to pay about \$1,114 in drug costs under the House bill.

Congress must include Medicaid beneficiaries in the Medicare prescription drug program while offering affordable benefits to other low-income beneficiaries, as is in the Senate version of the bill.

Source: Number of people enrolled in Medicare and Medicaid in 2002, from Kaiser Family Foundation, State Health Facts Online. Estimates of out-of-pocket costs under HR1 from Families USA.

New York

Seniors will lose employer-sponsored prescription drug coverage under both the House and Senate Medicare bills

An estimated **353,401** seniors in **New York** will lose employer-sponsored prescription drug coverage under the Senate Medicare Bill.

An estimated **305,644** seniors in **New York** will lose employer-sponsored coverage under the House Medicare Bill.

According to the Congressional Budget Office, the passage of the Medicare bill will result in a significant portion of employers dropping prescription drug coverage for retirees. While the coverage in both bills is significantly inferior to that typically offered by employers, the fact that Medicare drug coverage is made available would accelerate the pace at which employers are already dropping retiree coverage.

According to the CBO, under the Senate bill, 37% of Medicare beneficiaries would lose employer coverage.

Additionally, the CBO estimates that under the House bill, 32% of Medicare beneficiaries would lose employer coverage.

Congress must provide a prescription drug benefit under Medicare that is comparable to employer prescription drug coverage.

Source: Kaiser Family Foundation, State Health Facts Online, has estimates of the proportion of Medicare enrollees by region who have employer coverage. Regional estimate used for each state. The number of beneficiaries is 2001 data. The proportion in employer coverage is 1996 data.

New York seniors enrolled in the state EPIC Program will pay more for prescriptions under the House bill.

An estimated 257,000 seniors who are currently enrolled in New York's EPIC program, will pay more for prescriptions under the House bill.

New York's EPIC program provides affordable drug coverage to 325,000 New Yorkers. The amount that a senior on EPIC pays depends on the senior's income and drug costs.

The Senate bill contains provisions that requires New York (and other states) to maintain the EPIC program and includes funding for New York to do that. However, the House bill contains no such protections.

According to a comparison of the EPIC program and the House and Senate prescription drug legislation by New Yorkers for Accessible Coverage, generally the only seniors on EPIC who would save money under the House Medicare bill are those who earn under 135% of the federal poverty level and who have drug use of less than \$3,500. There are about 68,000 such seniors enrolled in EPIC. The other 257,000 who are enrolled in EPIC would be in danger of losing EPIC coverage under the House bill and would end up paying more for prescriptions.

Congress should include the provisions in the Senate bill that protect EPIC and – in addition - provide that federal funds be used for state drug programs that are available to all Medicare beneficiaries, seniors and people with disabilities.

Source: Number of people enrolled in EPIC and income distribution of EPIC beneficiaries from New York State Department of Health data. Estimate of annual prescription drug costs for 2002 from Stretching Federal Dollars: Polity Trade-Offs in Designing a Medicare Drug Benefit with Limited Resources, The Commonwealth Fund, August 2003.

New York
**Medicare Beneficiaries will pay more for doctor visits
under both the House and Senate Medicare bills**

There are **2,248,527** Medicare beneficiaries in **New York** who will pay more for doctor visits in both the House and Senate Medicare Bills.

Buried in both versions of the Medicare bill are provisions that would raise the cost of the Medicare program, independent of the new prescription drug benefit. Both bills would increase the Medicare Part B deductible, the amount that Medicare beneficiaries must pay before Medicare starts paying for doctor visits. Under current law, the annual deductible is \$100. The deductibles do not apply to people enrolled in Medicaid.

Under the Senate bill, the deductible will rise to \$125 in 2006 and to \$149 by 2013, keeping pace with consumer inflation. **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$10.6 billion, nationally.**

Under the House bill, the deductible will rise to \$109 in 2006 and to \$164 by 2013. **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$11.2 billion, nationally.**

Congress must not raise the Part B deductible. As it is, Medicare covers less than half of beneficiaries' medical costs.

Source: Non-dual eligible Medicare beneficiaries in 2001, from Kaiser Family Foundation. Estimates of level and cost of deductibles from Congressional Budget Office, cost estimate of HR1 and S1, 7/22/03.

New York
Medicare beneficiaries will pay more for home health care under the House Medicare bill

There are **114,702** Medicare beneficiaries in **New York** who will pay more for Home Health Care under the House bill

The House bill will institute co-payments for Medicare beneficiaries who use home health care. The 15% co-payment would apply to each home care episode (typically 60 days). **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$2.1 billion, nationally.**

The co-payments would not apply to Medicare patients who are also eligible for Medicaid and for others who are below 135% of poverty, meet certain asset limits, or apply for the exemption.

Congress must not impose co-payments for home care. People who require home care already bear very high health care costs.

Source: Data on number of home care patients in 2001 from the National Association of Home Care, from CMS, HCIS Data. Data on number of beneficiaries below 135% of poverty from Kaiser Family Foundation. The calculation applies the proportion of beneficiaries in each state above 135% of poverty to the number of home care patients in that state. Cost estimates from CBO, 7/22/03.

Medicare beneficiaries will pay more for laboratory services under the Senate Medicare Bill

There are **2,248,527** Medicare beneficiaries in **New York** who will pay more for laboratory services under the Senate Medicare bill.

The Senate bill will institute co-payments for Medicare beneficiaries who use laboratory services. For the first time, Medicare beneficiaries (who are not on Medicaid) would have to pay 20% of the cost of lab visits. **CBO estimates that the total cost to beneficiaries of the higher deductible will be \$18.6 billion, nationally.**

Congress must not impose co-payments on laboratory services. As it is, Medicare covers less than half of beneficiaries' medical costs.

Source: Non-dual eligible Medicare beneficiaries in 2001, from Kaiser Family Foundation. Estimates of level and cost of deductibles from Congressional Budget Office, cost estimate of HR1 and S1, 7/22/03.

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