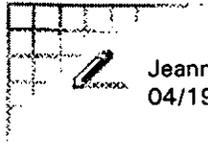


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**Health - Medicare  
Prescription Drugs**

Health - medicare -  
prescription drugs



Jeanne Lambrew  
04/19/99 09:20:49 PM

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To: See the distribution list at the bottom of this message  
cc: Melissa G. Green/OPD/EOP  
Subject: Kennedy Drug Bill Released Tomorrow/ Guidance Needed

Tomorrow (Tuesday), Senators Kennedy and Rockefeller and Congressmen Dingell, Stark and Waxman are planning to unveil their prescription drug proposal at an 11am press conference.

Their proposal has been significantly altered from as recently as Friday to provide for catastrophic coverage and low-income protections in addition to a slightly less generous front-end benefit that they were originally contemplating. The original proposal included a \$100 deductible, 20% coinsurance, with a \$1,200 cap. Now, its base package includes a \$200 deductible, 20% coinsurance and \$1,200 cap on government spending. It also has added a catastrophic benefit so that beneficiaries who have incurred ~~\$9,000~~ or more in out-of-pocket spending (at \$4,200 in total spending after the government payments in the base package) would have no payments. Moreover, because of the concern about the void of coverage between \$1,700 and \$4,200, they have added a Breaux-like low-income wrap-around benefit.

Clearly, these additions significantly increase the cost of this benefit package, putting it outside of our range. However, no one tomorrow will discuss total cost or premiums -- they will say that they have just sent the specs to CBO. They will reference possible financing sources as the Medicare tobacco suit, a tobacco tax, a small part of the surplus, or spending reductions.

We will need to develop a response to press calls, possibly a statement about their proposal.

Also, as an addendum, apparently, Moynihan's office is still working on its benefit option which, at last report, appeared to be closer to the original Kennedy version. Tuesday is also the Finance Committee's bipartisan Medicare retreat in which members will get briefed in issues associated with reform. Speakers include: David Walker, Judy Feder, Bruce Bullen (MA Medicaid director), Lynn Etheridge, Gail Wilensky among others.

From Chris J as well / please call or page with questions.

Message Sent To:

Gene B. Sperling/OPD/EOP  
Bruce N. Reed/OPD/EOP  
Lawrence J. Stein/WHO/EOP  
Elena Kagan/OPD/EOP  
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- Send up tobacco tax

**Medicare Prescription Drug Benefit Questions**  
January 27, 1999

- Q. The President's Medicare Commission appointees have said that they would only support the recommendations of the Medicare Commission if they include a prescription drug benefit. Is this a litmus test for the President?**
- A. The President believes that any proposal to provide a long-overdue prescription drug benefit should take place within the context of broader Medicare reform. He does believe, however, that a meaningful prescription drug benefit for all beneficiaries can and should be included in any such proposal. We have learned that successfully achieving meaningful Medicare reform can only happen in a bipartisan fashion. For this reason, we look forward to working with members on both sides of the aisle to add this important benefit this year.
- Q. Won't a prescription drug benefit, even in the context of broader reforms, result in higher Medicare spending? How can it be afforded at a time when the program is facing a serious financing crisis?**
- A. A prescription drug benefit can be designed in a number of ways to be both affordable in the context of broader reform and efficient. For example, a new Medicare benefit for prescription drug coverage could be voluntary, only partly subsidized, and/or managed by a private pharmaceutical benefits management company. The President committed to working with Congress on such a proposal after the Medicare Commission report, which is due on March 1. At that time, when a full range of reform options are on the table, the costs as well as funding for this benefit can be figured out.
- Q. Isn't it a waste of government money for Medicare to subsidize a drug benefit when 65 percent of Medicare beneficiaries already have some type of coverage?**
- A. The fact that 65 percent of beneficiaries have some type of coverage is misleading. First, it is important to remember that 35 percent -- 13 million beneficiaries -- have no coverage. Of the 65 percent with "coverage", 20 percent of beneficiaries receive this benefit through Medicare managed care, Medicaid or other government programs. Thus, the government is already paying for their benefit. The remaining beneficiaries either purchase expensive and limited Medigap coverage or are in employer-sponsored programs -- which have been disappearing rapidly as employers cut back on health coverage. Thus, Medicare beneficiaries who can afford to purchase private coverage have limited and declining options.

In contrast, virtually all employer-based health plans cover prescription drugs, and spending on drugs will soon consume one of every 10 health care dollars in the U.S.