

Drug Benefit

I. History

A. Health Security Act

1) Payment for pharmaceutical products

a. Single source would be the lesser of:

- 1) actual charge
- 2) 90th percentile of geographical area actual charges
- 3) administrative allowance (\$5 in 1996) plus per unit estimated acquisition cost

b. Multiple source would be the lesser of:

- 1) actual charges
- 2) administrative allowance (\$5 in 1996) plus per unit estimated acquisition cost

2) Deductible and out-of-pocket expense would be adjusted annually to ensure the same percentage of individuals qualify for this benefit every year

B. Catastrophic Coverage Act

1) Payment for pharmaceutical products

a. Single source drugs, Catastrophic Drug Insurance (CDI) will pay lowest of:

- 1) actual charge
- 2) (Number of Units x Unit AWP) + Dispensing fee
- 3) 90th percentile of actual charges

b. Multiple-Source Drugs, CDI will pay the lowest of:

- 1) actual charge
- 2) (Number of units x Median Unit AWP) + Dispensing Fee

2) Cost-sharing

a. two additional premiums

- 1) flat premium--portion would go to the CDI trust fund from which the prescription drug benefits will be paid, remainder will be allocated to a new "catastrophic account"
- 2) income-related premium--would also have been divided between the CDI trust fund and the "catastrophic account"

b. coinsurance rates

- 1) coinsurance started at 50% in 1990 and was then reduced to 20% by 1994
- 2) the Secretary was given the authority to raise the coinsurance rate to ensure that financing would be sufficient to pay benefits

c. deductible

- 1) set the deductible at \$500 in 1989, increase in 1990 and 1991 is equal to the increase in the medical care component of the CPI
- 2) in future years, the deductible will be increased by the percentage increase in the outpatient prescription drug index

3) Cost / Enrollment Estimates

a. Cost--Over FY1990 to FY1994 period, CBO estimated outlays associated with Medicare's coverage of catastrophic expenses for prescription drugs would total \$17.2 billion and receipts would total \$14.9 billion

1) Induced Demand--CBO estimated that spending exceeding the deductible amount would grow by 4% as a result of behavioral responses

2) CBO vs. OACT--CBO's estimate of receipts differs from the Administration's 1989 estimates by 2% over the 1990-1993 period, however, their estimate of benefits is 12% higher

b. Enrollment--CBO estimates the number of enrollees which would exceed the deductible amount and benefit from the CDI program at 8.8 million in 1991, 9.1 million in 1992, 5.9 million in 1993 and 6.0 million in 1994

II. Policy

A. Current Medicare coverage

B. Reasons for Drugs

- 1) Need to provide a continuum of care for beneficiaries
- 2) Medical progress/ change in patient treatment (1960 to 2000)
- 3) Progressivity (drugs significant out of pocket cost)
- 4) Reduced interactions and cost-effectiveness of pharmaceuticals
- 5) Beneficiaries and the public want this benefit

C. Possible Drug Benefit Structure

1) Full Drug Coverage

- a. drugs would be provided to all Medicare beneficiaries as part of the standard Medicare benefit package
- b. would entail large costs, although a deductible or coinsurance could apply to the benefit to reduce the program costs.

2) Catastrophic Level of Drug Coverage

- a. drugs would be provided after a deductible is met, with the deductible set at a relatively high level.

3) Require Medicare+Choice Plans to Include a Drug Benefit

- a. include cost sharing (copayments, deductibles, out-of-pocket maximum)
- b. formularies (negative and positive lists)
- c. substitution policy (generic, therapeutic)
- d. drug utilization review (DUR), prior authorization
- e. provides the option of drug coverage to most beneficiaries, but limits Medicare's ability to get savings from managed care, since Medicare+Choice rates would have to include payment for drugs.

4) Optional Drug Coverage

- a. Medicare could offer drug coverage that beneficiaries could elect to buy for an additional premium

- b. premium may or may not be subsidized
- c. costs under this option would depend on the subsidy level
- d. selection; only sick will apply

5) Coverage of Certain Drugs

- a. Medicare would cover drugs for certain diseases or that have extraordinary high costs
- b. determination of which drugs to cover would be susceptible to strong political pressures.

D. Design

1) Phase-in

- a. Categories of drugs
- b. Percentage of coverage

2) Cost-Sharing

- a. Copays/deductibles-- could adjust for utilization/receipts/outlays
- b. Premiums--could adjust for utilization/receipts/outlays

3) Revenues

- a. Premiums
- b. General revenues
- c. Payroll taxes
- d. Dedicated taxes (drug companies)

4) Structure of funding stream (new trust fund?)

5) Limits on overall spending (budget caps)

6) Rebate provisions with HHS / "Best Price"

7) P&T Committees / Technology assessment

8) Administration of benefit (HCFA or Private)

9) Interaction with Medicaid--If the federal government were to provide drugs to the dual eligible elderly/disabled through Medicare, it would shift costs from the state Medicaid and state-only programs onto Medicare. Steps could be taken to prevent the shift (e.g., Medicaid is first payer).

E. Interest Groups

1) Beneficiaries

- a. AARP
- b. Families USA
- c. Others

2) Providers

- a. AMA
- b. AHA
- c. Others

3) Pharmaceuticals

- a. PhRMA
- b. NPC

4) PBMs

5) Drug Stores

- a. NACDS
- b. NARD

F. Government

- 1) HCFA
- 2) FDA
- 3) HRSA / CHCs
- 4) OMB
- 5) Other public Health

III. Analysis

A. Background

- 1) Sources of payment for beneficiary drug spending
 - a. employer supplemental
 - b. Medigap
 - c. out-of-pocket
 - d. Medicaid
- 2) Medicare drug benefits offered by HMOs
 - a. Do HMOs cover drugs
 - b. Percentage of drugs covered
 - c. Copays/deductibles
 - d. Premium
- 3) Analysis of private sector drug benefit designs (HMO, PBM)
 - a. Percentage/type of drugs covered
 - b. Copays/deductibles
 - c. Premiums

B. Estimating Costs and Utilization

- 1) Medicare beneficiary drug spending
 - a. MCBS analysis
 - b. 1997 NMES data
 - c. Number of users
 - d. Number of prescriptions per user
 - e. Average cost per prescription
- 2) Inducement--effect varies depending on whether previous drug benefits existed
- 3) Interactions
 - a. Medicaid
 - b. State only program (crowd out effect)
 - c. Increased savings vs. costs due to greater life expectancy
 - d. HMO

B. State low-income elderly drug programs

- 1) Medicaid -- All states provide drugs to recipients of SSI, which includes low income elderly people, through their Medicaid programs. For those SSI recipients that are also Medicare beneficiaries, Medicare pays for most acute care services except for drugs. Medicaid drug coverage is first dollar, generally unlimited coverage for prescription drugs, paying at most nominal co-payments. State Medicaid programs receive low cost drugs from the pharmaceutical companies via

the federal drug rebate program. In FY 1997 States spent about \$1.2 billion on drugs in Medicaid, while the federal program paid \$1.5 billion.

2) State Only Programs – Many states have separate state-only programs which provide drugs to low income elderly who do not otherwise qualify for Medicaid.

File

LEVEL 1 - 18 OF 24 STORIES

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April 23, 1990, Monday

SECTION: THE FORTUNE 500; Who Did Best And Worst; Pg. 391

LENGTH: 432 words

1990

HEADLINE: INDUSTRY MEDIANS

BODY:

✓ RETURN
ON SALES

	1989	1988
PHARMACEUTICALS	13.0%	13.5%
MINING, CRUDE-OIL PRODUCTION	9.6	3.3
BEVERAGES	8.1	8.0
FOREST PRODUCTS	7.1	8.7
PUBLISHING, PRINTING	6.5	7.1
METAL PRODUCTS	6.2	4.6
CHEMICALS	6.1	6.9
COMPUTERS (INCL. OFFICE EQUIP.)	5.9	6.2
TOBACCO	5.4	7.8
METALS	4.8	6.2
FURNITURE	4.5	5.6
APPAREL	4.4	4.3
SOAPS, COSMETICS	4.4	5.3
SCIENTIFIC AND PHOTO, EQUIP.	4.2	5.0
ELECTRONICS	4.2	5.1
RUBBER AND PLASTICS PROD.	4.1	4.4
INDUSTRIAL AND FARM EQUIP.	3.6	4.3
AEROSPACE	3.3	3.6
PETROLEUM REFINING	3.3	4.7
TRANSPORTATION EQUIPMENT	3.0	3.1
MOTOR VEHICLES AND PARTS	2.7	3.5
FOOD	2.6	2.8
BUILDING MATERIALS	2.2	4.5
TEXTILES	1.9	3.5
THE 500 MEDIAN	4.7	5.5

✓ RETURN
ON ASSETS

	1989	1988
PHARMACEUTICALS	14.0%	13.1%
FURNITURE	7.9	8.8
SOAPS, COSMETICS	7.8	8.9
PUBLISHING, PRINTING	7.7	7.3
FOREST PRODUCTS	7.3	8.4
BEVERAGES	6.8	6.8
METAL PRODUCTS	6.7	5.8



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1990 Time Inc., Fortune, April 23, 1990

APPAREL	6.7	6.1
CHEMICALS	6.5	7.5
RUBBER AND PLASTICS PROD.	6.3	6.4
METALS	6.1	8.2
TOBACCO	5.3	6.0
SCIENTIFIC AND PHOTO. EQUIP.	5.2	4.9
FOOD	5.2	6.7
ELECTRONICS	5.2	6.1
COMPUTERS (INCL. OFFICE EQUIP.)	5.0	5.6
PETROLEUM REFINING	4.1	5.3
MINING, CRUDE-OIL PRODUCTION	3.7	1.3
AEROSPACE	3.7	4.9
TRANSPORTATION EQUIPMENT	3.5	5.4
INDUSTRIAL AND FARM EQUIP.	3.3	5.4
TEXTILES	3.0	4.7
BUILDING MATERIALS	2.7	4.9
MOTOR VEHICLES AND PARTS	2.5	3.9
THE 500 MEDIAN	5.9	6.8

✓ RETURN ON
STOCKHOLDERS' EQUITY

	1989	1988
PHARMACEUTICALS	25.5%	23.6%
BEVERAGES	23.2	22.8
TOBACCO	20.1	22.5
SOAPS, COSMETICS	18.4	18.5
METAL PRODUCTS	18.0	12.7
APPAREL	17.5	17.5
FOREST PRODUCTS	16.8	19.8
METALS	16.1	18.4
PUBLISHING, PRINTING	15.6	17.7
FOOD	14.7	15.7
ELECTRONICS	14.1	16.8
FURNITURE	13.9	15.9
CHEMICALS	13.2	16.8
SCIENTIFIC AND PHOTO. EQUIP.	13.0	12.1
COMPUTERS (INCL. OFF. EQUIP.)	12.7	14.7
AEROSPACE	12.0	11.4
RUBBER AND PLASTICS PROD.	11.4	15.8
TRANSPORTATION EQUIPMENT	10.9	13.4
MINING, CRUDE-OIL PRODUCTION	10.6	2.4
PETROLEUM REFINING	10.3	15.3
INDUSTRIAL AND FARM EQUIP.	9.3	12.7
TEXTILES	7.7	10.8
MOTOR VEHICLES AND PARTS	6.9	14.5
BUILDING MATERIALS	4.0	-3.3
THE 500 MEDIAN	15.0	16.2

LANGUAGE: ENGLISH



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LEVEL 1 - 9 OF 11 STORIES

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April 22, 1991

SECTION: WHO DID BEST AND WORST; Pg. 330

LENGTH: 1679 words

BODY:

INDUSTRY MEDIANS

RETURN

ON SALES

1991

	1990	1989
✓ PHARMACEUTICALS	13.6%	13.0%
MINING, CRUDE-OIL PRODUCTION	8.7	9.6
BEVERAGES	7.8	8.1
SOAPS, COSMETICS	6.3	4.2
COMPUTERS (INCL. OFFICE EQUIP.)	5.7	5.9
PUBLISHING, PRINTING	5.5	6.4
CHEMICALS	5.5	6.6
SCIENTIFIC AND PHOTO. EQUIP.	4.9	5.1
FOREST PRODUCTS	4.4	7.1
METALS	4.4	4.6
PETROLEUM REFINING	4.0	3.4
METAL PRODUCTS	3.9	6.2
RUBBER AND PLASTICS PRODUCTS	3.6	4.8
AEROSPACE	3.5	3.2
APPAREL	3.3	4.4
ELECTRONICS	3.2	4.2
INDUSTRIAL AND FARM EQUIP.	3.1	3.8
FOOD	3.1	3.6
TRANSPORTATION EQUIPMENT	2.9	3.0
FURNITURE	2.7	4.6
BUILDING MATERIALS	2.4	3.9
MOTOR VEHICLES AND PARTS	1.9	3.0
TOBACCO	1.6	5.4
TEXTILES	0.0	1.9
THE 500 MEDIAN	4.1	4.7

RETURN

ON ASSETS

	1990	1989
✓ PHARMACEUTICALS	13.1%	14.0%
SOAPS, COSMETICS	8.7	7.6
BEVERAGES	7.0	6.8
COMPUTERS (INCL. OFFICE EQUIP.)	6.4	5.9
FOOD	6.2	7.0
CHEMICALS	5.8	6.7
SCIENTIFIC AND PHOTO. EQUIP.	5.7	6.6
RUBBER AND PLASTICS PRODUCTS	5.2	8.0



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1991 Time Inc., Fortune, April 22, 1991

PETROLEUM REFINING	5.0	4.1
METAL PRODUCTS	4.8	6.7
PUBLISHING, PRINTING	4.8	7.7
AEROSPACE	4.6	2.9
MINING, CRUDE-OIL PRODUCTION	4.5	4.2
ELECTRONICS	4.4	5.2
METALS	4.4	6.1
FURNITURE	4.4	7.9
FOREST PRODUCTS	4.3	7.3
APPAREL	4.2	6.7
INDUSTRIAL AND FARM EQUIP.	3.9	3.9
TOBACCO	3.9	5.3
TRANSPORTATION EQUIPMENT	3.7	3.5
MOTOR VEHICLES AND PARTS	2.2	2.5
BUILDING MATERIALS	2.1	4.5
TEXTILES	0.1	3.0
THE 500 MEDIAN	4.8	5.9

RETURN ON
STOCKHOLDERS' EQUITY

	1990	1989
PHARMACEUTICALS	26.4%	25.5%
SOAPS, COSMETICS	18.8	18.9
FOOD	16.5	20.7
BEVERAGES	15.5	23.2
MINING, CRUDE-OIL PRODUCTION	15.1	12.7
TOBACCO	14.8	20.1
PETROLEUM REFINING	13.8	10.4
CHEMICALS	13.8	15.9
ELECTRONICS	13.4	14.5
AEROSPACE	13.4	10.2
APPAREL	12.9	19.5
METAL PRODUCTS	12.9	18.4
COMPUTERS (INCL. OFFICE EQUIP.)	12.0	12.8
SCIENTIFIC AND PHOTO. EQUIP.	11.8	13.0
FURNITURE	11.4	14.0
INDUSTRIAL AND FARM EQUIP.	10.9	12.1
BUILDING MATERIALS	10.8	13.6
METALS	10.7	17.8
PUBLISHING, PRINTING	10.4	15.9
FOREST PRODUCTS	10.1	16.9
RUBBER AND PLASTICS PRODUCTS	9.8	12.9
TRANSPORTATION EQUIPMENT	8.6	10.9
MOTOR VEHICLES AND PARTS	7.2	9.8
TEXTILES	2.9	10.1
THE 500 MEDIAN	13.0	15.0

INDUSTRY **MEDIANS**

CHANGES IN
SALES

INCREASES

PETROLEUM REFINING	20.0%
MINING, CRUDE-OIL PRODUCTION	13.5
BEVERAGES	13.4



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LEVEL 1 - 34 OF 42 STORIES

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April 20, 1992, Domestic Edition

SECTION: THE FORTUNE 500/SPECIAL REPORT; Pg. 287.

LENGTH: 1955 words

HEADLINE: THE 500 INDUSTRY OVERVIEWS

BODY:

✓ **MEDIANS****CHANGES IN
SALES**

RANK	INCREASES	
		%
1	.TOBACCO	16.3
2	.PHARMACEUTICALS	10.9
3	.BEVERAGES	7.9
4	.SOAPS, COSMETICS	7.8
5	.COMPUTERS, OFFICE EQUIPMENT	7.2
6	.APPAREL	7.0
7	.SCIENTIFIC AND PHOTOGRAPHIC EQUIP.	5.4
8	.FOOD	5.0
9	.METAL PRODUCTS	3.8
10	.RUBBER AND PLASTICS PRODUCTS	2.9
11	.ELECTRONICS, ELECTRICAL EQUIPMENT	1.9
12	.CHEMICALS	1.3
13	.TRANSPORTATION EQUIPMENT	1.2
	DECREASES %	
14	.PUBLISHING, PRINTING	0.0
15	.AEROSPACE	1.0
16	.FURNITURE	1.2
17	.TEXTILES	1.3
18	.MINING, CRUDE-OIL PRODUCTION	1.7
19	.INDUSTRIAL AND FARM EQUIPMENT	3.0
20	.FOREST PRODUCTS	3.6
21	.BUILDING MATERIALS	4.6
22	.MOTOR VEHICLES AND PARTS	5.7
23	.METALS	7.4
24	.PETROLEUM REFINING	7.6

✓ **CHANGES IN
PROFITS**

RANK	INCREASES	
		%
1	.TOBACCO	27.2
2	.SCIENTIFIC AND PHOTOGRAPHIC EQUIP.	16.3
3	.PHARMACEUTICALS	16.0
4	.RUBBER AND PLASTICS PRODUCTS	13.3

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1992

Fortune, April 20, 1992

5	.FOOD	13.2
6	.BEVERAGES	5.9
7	.APPAREL	1.1
8	.COMPUTERS, OFFICE EQUIPMENT	1.1
9	.AEROSPACE	0.7
		DECREASES %
10	.METAL PRODUCTS	1.0
11	.ELECTRONICS, ELECTRICAL EQUIPMENT	9.3
12	.PUBLISHING, PRINTING	10.3
13	.TRANSPORTATION EQUIPMENT	11.7
14	.SOAPS, COSMETICS	12.9
15	.CHEMICALS	17.8
16	.FURNITURE	20.6
17	.INDUSTRIAL AND FARM EQUIPMENT	28.9
18	.FOREST PRODUCTS	39.6
19	.TEXTILES	49.5
20	.METALS	51.8
21	.PETROLEUM REFINING	52.1
22	.BUILDING MATERIALS	53.8
23	.MOTOR VEHICLES AND PARTS	58.7
24	.MINING, CRUDE-OIL PRODUCTION	61.9

✓ TOTAL RETURN
TO INVESTORS, * 1991

RANK		%
1	.TOBACCO	137.3
2	.RUBBER AND PLASTICS PRODUCTS	90.3
3	.PHARMACEUTICALS	61.5
4	.TRANSPORTATION EQUIPMENT	54.3
5	.APPAREL	52.6
6	.SCIENTIFIC AND PHOTOGRAPHIC EQUIP.	50.2
7	.TEXTILES	45.2
8	.FURNITURE	41.5
9	.METAL PRODUCTS	40.8
10	.BUILDING MATERIALS	39.8
11	.ELECTRONICS, ELECTRICAL EQUIPMENT	37.6
12	.FOREST PRODUCTS	37.5
13	.AEROSPACE	35.5
14	.BEVERAGES	32.3
15	.CHEMICALS	31.9
16	.FOOD	26.7
17	.PUBLISHING, PRINTING	19.4
18	.SOAPS, COSMETICS	19.4
19	.METALS	18.2
20	.MOTOR VEHICLES AND PARTS	16.7
21	.INDUSTRIAL AND FARM EQUIPMENT	15.0
22	.COMPUTERS, OFFICE EQUIPMENT	12.3
23	.PETROLEUM REFINING	0.7
24	.MINING, CRUDE-OIL PRODUCTION	(5.5)
	ALL INDUSTRIES	29.5

TOTAL RETURN TO INVESTORS *
1981-91 ANNUAL RATE
RANK



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1993

18	TOYS, SPORTING GOODS	2.65
19	COMPUTER, OFFICE EQUIPMENT	2.50
20	CHEMICALS	2.38
21	FOREST AND PAPER PRODUCTS	2.22
22	PUBLISHING, PRINTING	2.18
23	BUILDING MATERIALS, GLASS	2.16
24	PHARMACEUTICALS	1.96
25	MINING, CRUDE-OIL PRODUCTION	1.61
500	MEDIAN	2.92

SALES PER EMPLOYEE

RANK		%
1	PETROLEUM REFINING	607,296
2	MINING, CRUDE-OIL PRODUCTION	306,226
3	TOBACCO	274,652
4	SOAPS, COSMETICS	244,285
5	BEVERAGES	229,580
6	CHEMICALS	227,684
7	FOOD	226,828
8	METALS	185,385
9	FOREST AND PAPER PRODUCTS	181,104
10	PHARMACEUTICALS	178,860
11	TOYS, SPORTING GOODS	178,177
12	COMPUTER, OFFICE EQUIPMENT	177,397
13	BUILDING MATERIALS, GLASS	149,958
14	AEROSPACE	143,036
15	PUBLISHING, PRINTING	140,378
16	INDUSTRIAL AND FARM EQUIPMENT	138,793
17	MOTOR VEHICLES AND PARTS	138,659
18	METAL PRODUCTS	136,499
19	RUBBER AND PLASTICS PRODUCTS	135,660
20	SCI., PHOTO., AND CONTROL EQUIP.	132,810
21	ELECTRONICS, ELECTRICAL EQUIP.	123,998
22	TRANSPORTATION EQUIPMENT	122,354
23	FURNITURE	102,674
24	TEXTILES	98,804
25	APPAREL	63,725
500	MEDIAN	169,201

✓ **MEDIANS**

RETURN ON SALES

RANK		1992 %	1991 %
1	PHARMACEUTICALS	11.5	12.8
2	TOYS, SPORTING GOODS	6.5	--
3	SOAPS, COSMETICS	5.8	5.1
4	PUBLISHING, PRINTING	5.7	5.2
5	SCI., PHOTO., AND CONTROL EQUIP.	5.6	5.3
6	MINING, CRUDE-OIL PROD.	5.1	4.8



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Fortune, April 19, 1993

7	METAL PRODUCTS	4.3	3.4
8	FURNITURE	4.0	2.1
9	FOOD	3.4	3.5
10	RUBBER AND PLASTICS PROD.	3.0	3.4
11	ELECTRONICS, ELECTRICAL EQUIP.	2.9	2.7
12	TOBACCO	2.6	2.1
13	APPAREL	2.5	3.4
14	CHEMICALS	2.3	3.9
15	TEXTILES	2.2	1.4
16	FOREST AND PAPER PRODUCTS	2.1	2.5
17	BEVERAGES	2.1	5.5
18	COMPUTER, OFFICE EQUIP.	1.0	4.9
19	INDUSTRIAL AND FARM EQUIP.	1.0	4.9
20	PETROLEUM REFINING	0.2	1.5
21	AEROSPACE	0.1	3.3
22	TRANSPORTATION EQUIPMENT	(0.3)	2.4
23	METALS	(1.2)	1.5
24	MOTOR VEHICLES AND PARTS	(1.3)	0.3
25	BUILDING MATERIALS, GLASS	(3.0)	(3.6)
500	MEDIAN	2.4	3.1

✓ RETURN OF ASSETS

RANK		1992 %	1991 %
1	PHARMACEUTICALS	11.7	12.1
2	TOYS, SPORTING GOODS	8.8	--
3	SOAPS, COSMETICS	8.1	6.8
4	FURNITURE	6.7	3.3
5	FOOD	6.6	7.1
6	SCI., PHOTO., AND CONTROL EQUIP.	5.9	6.3
7	TOBACCO	5.2	1.6
8	PUBLISHING, PRINTING	4.9	5.1
9	RUBBER AND PLASTICS PROD.	4.6	5.2
10	METAL PRODUCTS	4.5	4.3
11	APPAREL	4.2	6.1
12	ELECTRONICS, ELECTRICAL EQUIP.	3.2	3.1
13	TEXTILES	2.9	1.5
14	BEVERAGES	2.3	5.8
15	CHEMICALS	2.2	4.1
16	MINING, CRUDE-OIL PROD.	2.0	2.5
17	FOREST AND PAPER PRODUCTS	1.7	1.8
18	COMPUTER, OFFICE EQUIP.	1.5	4.9
19	PETROLEUM REFINING	0.3	2.8
20	INDUSTRIAL AND FARM EQUIP.	0.3	2.3
21	AEROSPACE	0.1	4.4
22	TRANSPORTATION EQUIPMENT	(0.1)	3.2
23	METALS	(1.2)	1.8
24	MOTOR VEHICLES AND PARTS	(1.9)	0.3
25	BUILDING MATERIALS, GLASS	(2.1)	(3.6)
500	MEDIAN	3.1	3.6



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Fortune, April 19, 1993

RETURN ON COMMON EQUITY

RANK		1992 %	1991 %
1	PHARMACEUTICALS	26.7	26.1
2	TOBACCO	21.9	5.2
3	TOYS, SPORTING GOODS	17.0	--
4	FOOD	15.6	19.7
5	SCI., PHOTO., AND CONTROL EQUIP.	15.4	14.3
6	SOAPS, COSMETICS	14.4	14.7
7	METAL PRODUCTS	12.1	11.7
8	FURNITURE	12.0	10.2
9	APPAREL	11.6	13.6
10	PUBLISHING, PRINTING	11.3	10.7
11	RUBBER AND PLASTICS PROD.	10.6	11.6
12	CHEMICALS	10.5	12.6
13	TEXTILES	9.8	4.6
14	BEVERAGES	9.7	21.1
15	ELECTRONICS, ELECTRICAL EQUIP.	9.1	10.7
16	MINING, CRUDE-OIL PROD.	7.0	7.7
17	FOREST AND PAPER PRODUCTS	5.7	4.8
18	COMPUTER, OFFICE EQUIP.	4.6	10.2
19	AEROSPACE	3.6	12.4
20	TRANSPORTATION EQUIPMENT	3.6	8.9
21	PETROLEUM REFINING	2.0	8.5
22	INDUSTRIAL AND FARM EQUIP.	1.2	6.0
23	MOTOR VEHICLES AND PARTS	(11.1)	0.7
24	METALS	(13.2)	5.2
25	BUILDING MATERIALS, GLASS	(26.0)	(0.7)
500	MEDIAN	9.1	10.2

TOTALS

Note: This table may be divided and additional information on a particular entry may appear on more than one screen.

RANK		SALES \$ mil.	PROFITS \$ mil.	Rank
1	PETROLEUM REFINING	414,232	6,174	3
2	MOTOR VEHICLES AND PARTS	310,276	(31,078)	26
3	FOOD	215,199	9,910	2
4	ELECTRONICS, ELECTRICAL EQUIPMENT	194,259	6,172	4
5	CHEMICALS	173,694	(4,069)	23
6	COMPUTER, OFFICE EQUIPMENT	146,557	(6,051)	25
7	AEROSPACE	134,954	(890)	21
8	FOREST AND PAPER PRODUCTS	107,091	182	14
9	SCIENTIFIC, PHOTO., AND CONTROL EQUIP.	94,077	3,748	5
10	PHARMACEUTICALS	90,428	12,225	1
11	INDUSTRIAL AND FARM EQUIPMENT	82,304	(4,613)	24
12	BEVERAGES	62,765	3,157	6
13	SOAPS, COSMETICS	58,353	3,055	7
14	METALS	53,871	(3,316)	22
15	PUBLISHING, PRINTING	37,846	1,733	9



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500 MEDIANS

Despite Hillary's narabque, patent toting drugmakers still win the triple crown for performance. An impressive ROE climbed even further.

RETURN ON REVENUES

INDUSTRY RANK		1994 %	1993 %
1	PHARMACEUTICALS	16.1	14.6
2	COMMERCIAL BANKS	13.5	14.3
3	COMPUTER AND DATA SVCS.	12.9	4.0
4	DIVERSIFIED FINANCIALS	10.7	9.5
5	ELECTRIC AND GAS UTILITIES	9.6	8.7
6	FOOD SERVICES	8.2	4.0
7	RAILROADS	7.7	6.3
8	PUBLISHING, PRINTING	7.4	6.0
9	TELECOMMUNICATIONS	6.6	0.5
10	CHEMICALS	6.6	1.3
11	BEVERAGES	6.2	4.1
12	SOAPS, COSMETICS	5.9	3.0
13	ELECTRONICS, ELECTRICAL EQP.	5.7	5.7
14	PIPELINES	4.9	3.0
15	SCI., PHOTO, CONTROL EQUIP.	4.8	0.7
16	BUILDING MATERIALS, GLASS	4.7	1.3
17	AEROSPACE	4.5	3.2
18	ENTERTAINMENT	4.4	8.0
19	METAL PRODUCTS	4.3	3.7
20	HEALTH CARE	4.3	2.8
21	COMPUTERS, OFFICE EQUIP.	4.3	2.4
22	INDUSTRIAL AND FARM EQUIP.	4.2	2.8
23	INSURANCE	4.2	4.2
24	FOOD	3.8	3.0
25	FOREST AND PAPER PRODUCTS	3.8	2.1
26	MOTOR VEHICLES AND PARTS	3.7	1.6
27	GENERAL MERCHANDISERS	3.2	3.3
28	ENGINEERING, CONSTRUCTION	2.6	1.7
29	PETROLEUM REFINING	2.6	2.8
30	METALS	2.4	(1.6)
31	SPECIALIST RETAILERS	2.2	2.3
32	FOOD AND DRUG STORES	1.5	1.3
33	BROKERAGE	0.8	8.8
34	WHOLESALEERS	0.8	1.1
35	AIRLINES	(1.5)	(0.5)
THE 500 MEDIAN		4.6	3.5

RETURN ON ASSETS

INDUSTRY RANK		1994 %	1993 %
1	PHARMACEUTICALS	12.7	12.7
2	COMPUTER AND DATA SVCS.	11.5	5.4
3	SOAPS, COSMETICS	9.1	3.5
4	FOOD SERVICES	8.0	5.3
5	BEVERAGES	7.1	4.6
6	CHEMICALS	6.9	1.5
7	PUBLISHING, PRINTING	6.8	6.1
8	COMPUTERS, OFFICE EQUIP.	6.8	3.4
9	FOOD	6.4	5.9
10	ELECTRONICS, ELECTRICAL EQP.	5.9	5.4
11	TELECOMMUNICATIONS	5.8	0.4
12	HEALTH CARE	5.7	5.0
13	SCI. PHOTO, CONTROL EQUIP.	5.4	1.0
14	SPECIALIST RETAILERS	5.2	4.9
15	GENERAL MERCHANDISERS	5.2	3.5
16	MOTOR VEHICLES AND PARTS	5.2	1.3
17	INDUSTRIAL AND FARM EQUIP.	5.2	3.0
18	METAL PRODUCTS	5.2	5.3
19	AEROSPACE	4.9	3.3
20	RAILROADS	4.8	3.5
21	BUILDING MATERIALS, GLASS	4.6	1.7
22	ENTERTAINMENT	4.6	2.7
23	FOOD AND DRUG STORES	4.0	2.8
24	PETROLEUM REFINING	3.5	2.9
25	ELECTRIC AND GAS UTILITIES	3.4	3.5
26	ENGINEERING, CONSTRUCTION	3.2	2.8
27	PIPELINES	3.0	2.2
28	WHOLESALEERS	2.9	4.1
29	FOREST AND PAPER PRODUCTS	2.6	1.2
30	METALS	2.5	(1.8)
31	COMMERCIAL BANKS	1.2	1.2
32	DIVERSIFIED FINANCIALS	1.0	1.1
33	INSURANCE	0.8	1.1
34	BROKERAGE	0.1	0.6
35	AIRLINES	(1.5)	(0.5)
THE 500 MEDIAN		3.7	2.7

RETURN ON EQUITY

INDUSTRY RANK		1994 %	1993 %
1	PHARMACEUTICALS	31.2	28.0
2	SOAPS, COSMETICS	28.5	17.8
3	FOOD SERVICES	25.6	25.1
4	BEVERAGES	21.0	14.5
5	BUILDING MATERIALS, GLASS	20.8	1.7
6	COMPUTER AND DATA SVCS.	19.5	11.8
7	FOOD	19.1	14.4
8	MOTOR VEHICLES AND PARTS	18.5	11.3
9	CHEMICALS	18.5	4.9
10	DIVERSIFIED FINANCIALS	18.4	17.1
11	RAILROADS	17.5	11.3
12	INDUSTRIAL AND FARM EQUIP.	17.0	10.6
13	HEALTH CARE	16.6	11.1
14	ELECTRONICS, ELECTRICAL EQP.	16.5	15.0
15	TELECOMMUNICATIONS	15.9	1.3
16	COMPUTERS, OFFICE EQUIP.	15.7	6.9
17	AEROSPACE	15.6	13.6
18	COMMERCIAL BANKS	15.6	14.9
19	SCI. PHOTO, CONTROL EQUIP.	15.2	1.3
20	PUBLISHING, PRINTING	14.0	11.9
21	SPECIALIST RETAILERS	13.6	13.7
22	GENERAL MERCHANDISERS	13.5	12.9
23	FOOD AND DRUG STORES	13.3	12.3
24	WHOLESALEERS	12.2	13.8
25	METAL PRODUCTS	12.1	11.1
26	PETROLEUM REFINING	11.6	9.4
27	INSURANCE	11.5	12.8
28	ELECTRIC AND GAS UTILITIES	11.3	11.1
29	PIPELINES	11.1	8.1
30	ENTERTAINMENT	11.0	6.3
31	METALS	9.6	(6.2)
32	FOREST AND PAPER PRODUCTS	9.6	5.6
33	ENGINEERING, CONSTRUCTION	9.2	10.6
34	BROKERAGE	2.2	20.4
35	AIRLINES	(10.6)	6.8
THE 500 MEDIAN		13.7	11.9

CONTINUED

MEDIANS

RETURN ON REVENUES

INDUSTRY RANK	1995 %
1 PHARMACEUTICALS	14.4
2 COMMERCIAL BANKS	13.3
3 DIVERSIFIED FINANCIALS	10.3
4 ELECTRIC AND GAS UTILITIES	10.3
5 COMPUTER AND DATA SERVICES	9.8
6 INSURANCE: P&C (STOCK)	8.9
7 PUBLISHING, PRINTING	8.6
8 CHEMICALS	8.2
9 INSURANCE: LIFE, HEALTH (STOCK)	6.8
10 RAILROADS	6.5
11 ELECTRONICS, ELECTRICAL EQUIP	6.4
12 FOREST AND PAPER PRODUCTS	6.4
13 SCIENTIFIC, PHOTO, CONTROL EQUIP	6.4
14 PIPELINES	5.7
15 METALS	5.4
16 COMPUTERS, OFFICE EQUIPMENT	5.1
17 BROKERAGE	5.1
18 BEVERAGES	4.9
19 INDUSTRIAL AND FARM EQUIPMENT	4.5
20 BUILDING MATERIALS, GLASS	4.4
21 FOOD	4.2
22 SOAPS, COSMETICS	4.2
23 MOTOR VEHICLES AND PARTS	4.1
24 HEALTH CARE	4.0
25 AEROSPACE	3.5
26 FOOD SERVICES	3.5
27 GENERAL MERCHANDISERS	2.9
28 AIRLINES	2.8
29 ENGINEERING, CONSTRUCTION	2.5
30 ENTERTAINMENT	2.4
31 METAL PRODUCTS	2.3
32 PETROLEUM REFINING	2.1
33 SPECIALIST RETAILERS	1.8
34 FOOD AND DRUG STORES	1.7
35 WHOLESALERS	0.8
36 TELECOMMUNICATIONS	0.2
THE 500 MEDIAN	4.3

RETURN ON ASSETS

INDUSTRY RANK	1995 %
1 PHARMACEUTICALS	13.2
2 COMPUTER AND DATA SERVICES	9.1
3 CHEMICALS	8.4
4 COMPUTERS, OFFICE EQUIPMENT	7.4
5 PUBLISHING, PRINTING	7.3
6 SOAPS, COSMETICS	7.0
7 FOOD	7.0
8 FOREST AND PAPER PRODUCTS	7.0
9 ELECTRONICS, ELECTRICAL EQUIP	6.9
10 SCIENTIFIC, PHOTO, CONTROL EQUIP	6.9
11 BEVERAGES	5.9
12 FOOD AND DRUG STORES	5.6
13 SPECIALIST RETAILERS	5.2
14 MOTOR VEHICLES AND PARTS	5.1
15 METALS	5.0
16 INDUSTRIAL AND FARM EQUIPMENT	5.0
17 FOOD SERVICES	5.0
18 GENERAL MERCHANDISERS	4.9
19 HEALTH CARE	4.8
20 ENGINEERING, CONSTRUCTION	4.5
21 AEROSPACE	4.2
22 PIPELINES	4.0
23 BUILDING MATERIALS, GLASS	3.9
24 RAILROADS	3.7
25 ELECTRIC AND GAS UTILITIES	3.6
26 METAL PRODUCTS	3.5
27 WHOLESALERS	3.4
28 AIRLINES	3.4
29 PETROLEUM REFINING	2.7
30 INSURANCE: P&C (STOCK)	2.2
31 ENTERTAINMENT	1.6
32 DIVERSIFIED FINANCIALS	1.2
33 COMMERCIAL BANKS	1.2
34 INSURANCE: LIFE, HEALTH (STOCK)	1.0
35 BROKERAGE	0.2
36 TELECOMMUNICATIONS	(0.2)
THE 500 MEDIAN	3.9

RETURN ON EQUITY

INDUSTRY RANK	1995 %
1 PHARMACEUTICALS	30.7
2 SOAPS, COSMETICS	25.0
3 COMPUTER AND DATA SERVICES	23.0
4 FOOD SERVICES	22.0
5 PUBLISHING, PRINTING	21.9
6 FOOD	21.4
7 MOTOR VEHICLES AND PARTS	20.2
8 CHEMICALS	19.8
9 INDUSTRIAL AND FARM EQUIPMENT	18.3
10 DIVERSIFIED FINANCIALS	18.2
11 BEVERAGES	17.9
12 FOREST AND PAPER PRODUCTS	17.6
13 AIRLINES	17.6
14 ELECTRONICS, ELECTRICAL EQUIP	17.4
15 METALS	17.4
16 SCIENTIFIC, PHOTO, CONTROL EQUIP	16.9
17 COMPUTERS, OFFICE EQUIPMENT	16.9
18 PIPELINES	16.4
19 AEROSPACE	15.7
20 COMMERCIAL BANKS	15.6
21 INSURANCE: P&C (STOCK)	13.2
22 SPECIALIST RETAILERS	13.1
23 FOOD AND DRUG STORES	13.0
24 BUILDING MATERIALS, GLASS	12.9
25 ELECTRIC AND GAS UTILITIES	11.9
26 RAILROADS	11.7
27 ENTERTAINMENT	11.3
28 WHOLESALERS	11.1
29 INSURANCE: LIFE, HEALTH (STOCK)	11.0
30 HEALTH CARE	10.8
31 BROKERAGE	9.8
32 ENGINEERING, CONSTRUCTION	9.6
33 GENERAL MERCHANDISERS	9.1
34 PETROLEUM REFINING	8.6
35 METAL PRODUCTS	8.0
36 TELECOMMUNICATIONS	0.8
THE 500 MEDIAN	14.0

FORTUNE **5** HUNDRED MEDIANS

4/1997

RETURN ON REVENUES

INDUSTRY RANK	1996 %
1 PHARMACEUTICALS	37.1
2 COMMERCIAL BANKS	31.9
3 ELECTRONICS, SEMICONDUCTORS	30.8
4 DIVERSIFIED FINANCIALS	30.5
5 UTILITIES, GAS AND ELECTRIC	28.6
6 RAILROADS	28.2
7 SCIENTIFIC, PHOTO, CONTROL EQUIP.	28.1
8 TELECOMMUNICATIONS	26.1
9 METAL PRODUCTS	24.9
10 COMPUTER SOFTWARE	24.8
11 INSURANCE: P&C (STOCK)	23.9
12 BEVERAGES	23.7
13 SECURITIES	23.2
14 CHEMICALS	21.7
15 SOAPS, COSMETICS	21.4
16 COMPUTERS, OFFICE EQUIPMENT	21.4
17 PUBLISHING, PRINTING	21.1
18 INSURANCE: LIFE, HEALTH (STOCK)	20.6
19 INDUSTRIAL AND FARM EQUIPMENT	20.7
20 ELECTRONICS, ELECTRICAL EQUIP.	20.0
21 AEROSPACE	19.9
22 FOOD	19.0
23 PIPELINES	18.4
24 AIRLINES	18.3
25 PETROLEUM REFINING	18.1
26 METALS	17.9
27 SAVINGS INSTITUTIONS	17.8
28 FOREST AND PAPER PRODUCTS	17.6
29 ENTERTAINMENT	17.4
30 MOTOR VEHICLES AND PARTS	17.4
31 FOOD SERVICES	17.0
32 GENERAL MERCHANDISERS	16.9
33 ENGINEERING, CONSTRUCTION	16.4
34 BUILDING MATERIALS, GLASS	16.4
35 SPECIALIST RETAILERS	16.1
36 HEALTH CARE	16.1
37 FOOD AND DRUG STORES	15.5
38 WHOLESALERS	15.0
THE 500 MEDIAN	17.0

RETURN ON ASSETS

INDUSTRY RANK	1996 %
1 PHARMACEUTICALS	13.0
2 ELECTRONICS, SEMICONDUCTORS	11.7
3 COMPUTER SOFTWARE	11.7
4 SOAPS, COSMETICS	10.9
5 SCIENTIFIC, PHOTO, CONTROL EQUIP.	10.9
6 BEVERAGES	10.6
7 METAL PRODUCTS	10.0
8 TELECOMMUNICATIONS	9.9
9 CHEMICALS	9.4
10 FOOD	9.3
11 COMPUTERS, OFFICE EQUIPMENT	9.2
12 ENGINEERING, CONSTRUCTION	9.2
13 FOOD AND DRUG STORES	9.0
14 ELECTRONICS, ELECTRICAL EQUIP.	8.9
15 PUBLISHING, PRINTING	8.7
16 PETROLEUM REFINING	8.6
17 SPECIALIST RETAILERS	8.1
18 INDUSTRIAL AND FARM EQUIPMENT	8.0
19 AEROSPACE	8.0
20 HEALTH CARE	7.7
21 AIRLINES	7.6
22 RAILROADS	7.5
23 MOTOR VEHICLES AND PARTS	7.4
24 FOOD SERVICES	7.3
25 METALS	7.0
26 WHOLESALERS	6.7
27 GENERAL MERCHANDISERS	6.7
28 UTILITIES, GAS AND ELECTRIC	6.5
29 PIPELINES	6.0
30 FOREST AND PAPER PRODUCTS	6.0
31 INSURANCE: P&C (STOCK)	6.0
32 BUILDING MATERIALS, GLASS	6.0
33 ENTERTAINMENT	5.7
34 DIVERSIFIED FINANCIALS	5.7
35 COMMERCIAL BANKS	5.6
36 INSURANCE: LIFE, HEALTH (STOCK)	5.5
37 SECURITIES	5.5
38 SAVINGS INSTITUTIONS	5.5
THE 500 MEDIAN	6.9

RETURN ON EQUITY

INDUSTRY RANK	1996 %
1 SOAPS, COSMETICS	33.0
2 PHARMACEUTICALS	29.1
3 BEVERAGES	25.6
4 SCIENTIFIC, PHOTO, CONTROL EQUIP.	22.8
5 BUILDING MATERIALS, GLASS	22.2
6 COMPUTER SOFTWARE	21.3
7 COMPUTERS, OFFICE EQUIPMENT	21.1
8 TELECOMMUNICATIONS	20.9
9 CHEMICALS	20.5
10 ELECTRONICS, SEMICONDUCTORS	18.5
11 DIVERSIFIED FINANCIALS	18.5
12 SECURITIES	18.3
13 AIRLINES	17.9
14 AEROSPACE	17.7
15 FOOD SERVICES	17.7
16 INDUSTRIAL AND FARM EQUIPMENT	17.0
17 PUBLISHING, PRINTING	16.8
18 FOOD	16.5
19 COMMERCIAL BANKS	16.5
20 ELECTRONICS, ELECTRICAL EQUIP.	16.5
21 PETROLEUM REFINING	16.2
22 MOTOR VEHICLES AND PARTS	16.1
23 METAL PRODUCTS	16.0
24 RAILROADS	14.9
25 FOOD AND DRUG STORES	14.8
26 PIPELINES	12.7
27 WHOLESALERS	12.6
28 SPECIALIST RETAILERS	12.5
29 INSURANCE: P&C (STOCK)	12.2
30 ENGINEERING, CONSTRUCTION	12.1
31 UTILITIES, GAS AND ELECTRIC	11.5
32 METALS	11.5
33 INSURANCE: LIFE, HEALTH (STOCK)	10.5
34 GENERAL MERCHANDISERS	10.2
35 HEALTH CARE	9.0
36 FOREST AND PAPER PRODUCTS	6.8
37 SAVINGS INSTITUTIONS	5.4
38 ENTERTAINMENT	4.0
THE 500 MEDIAN	14.1

MEDIANS

CONTINUED

FORTUNE 5 HUNDRED MEDIANS

RETURN ON REVENUES

INDUSTRY RANK		1997 %
1	PHARMACEUTICALS	16.1
2	COMMERCIAL BANKS	13.6
3	DIVERSIFIED FINANCIALS	9.7
4	INSURANCE: P&C (STOCK)	8.1
5	RAILROADS	9.0
6	METAL PRODUCTS	9.0
7	PUBLISHING, PRINTING	8.2
8	SOAPS, COSMETICS	7.4
9	COMPUTERS, OFFICE EQUIPMENT	7.4
10	BEVERAGES	7.3
11	TELECOMMUNICATIONS	7.3
12	COMPUTER PERIPHERALS	6.9
13	UTILITIES, GAS AND ELECTRIC	6.4
14	SCIENTIFIC, PHOTO, CONTROL EQUIP.	6.3
15	SECURITIES	6.2
16	CHEMICALS	6.1
17	ENTERTAINMENT	5.8
18	AIRLINES	5.6
19	INSURANCE: LIFE, HEALTH (STOCK)	5.5
20	ELECTRONICS, ELECTRICAL EQUIP.	5.4
21	AEROSPACE	4.9
22	COMPUTER AND DATA SERVICES	4.7
23	INDUSTRIAL AND FARM EQUIPMENT	4.6
24	BUILDING MATERIALS, GLASS	4.4
25	METALS	4.2
26	PETROLEUM REFINING	3.9
27	MAIL, PACKAGE, FREIGHT DELIVERY	3.6
28	PIPELINES	3.3
29	FOOD	3.3
30	MOTOR VEHICLES AND PARTS	3.3
31	GENERAL MERCHANTISERS	3.0
32	ENGINEERING, CONSTRUCTION	2.8
33	SPECIALTY RETAILERS	2.4
34	HEALTH CARE	1.8
35	FOOD AND DRUG STORES	1.7
36	WHOLESALEERS	1.1
37	FOREST AND PAPER PRODUCTS	0.5
	THE 500 MEDIAN	4.9

RETURN ON ASSETS

INDUSTRY RANK		1997 %
1	PHARMACEUTICALS	14.9
2	COMPUTER PERIPHERALS	12.6
3	SOAPS, COSMETICS	11.5
4	BEVERAGES	10.1
5	PUBLISHING, PRINTING	7.8
6	METAL PRODUCTS	7.4
7	FOOD	6.5
8	AIRLINES	6.5
9	ELECTRONICS, ELECTRICAL EQUIP.	6.3
10	COMPUTERS, OFFICE EQUIPMENT	6.0
11	CHEMICALS	5.9
12	SCIENTIFIC, PHOTO, CONTROL EQUIP.	5.7
13	FOOD AND DRUG STORES	5.7
14	PETROLEUM REFINING	5.7
15	INDUSTRIAL AND FARM EQUIPMENT	5.6
16	MAIL, PACKAGE, FREIGHT DELIVERY	5.6
17	SPECIALTY RETAILERS	5.1
18	BUILDING MATERIALS, GLASS	5.1
19	AEROSPACE	4.8
20	TELECOMMUNICATIONS	4.8
21	GENERAL MERCHANTISERS	4.6
22	METALS	4.6
23	RAILROADS	4.1
24	ENGINEERING, CONSTRUCTION	4.0
25	COMPUTER AND DATA SERVICES	3.9
26	MOTOR VEHICLES AND PARTS	3.4
27	WHOLESALEERS	3.1
28	ENTERTAINMENT	3.0
29	HEALTH CARE	2.8
30	UTILITIES, GAS AND ELECTRIC	2.8
31	INSURANCE: P&C (STOCK)	2.0
32	PIPELINES	2.0
33	DIVERSIFIED FINANCIALS	1.4
34	COMMERCIAL BANKS	1.2
35	INSURANCE: LIFE, HEALTH (STOCK)	0.9
36	SECURITIES	0.7
37	FOREST AND PAPER PRODUCTS	0.4
	THE 500 MEDIAN	3.9

RETURN ON EQUITY

INDUSTRY RANK		1997 %
1	BUILDING MATERIALS, GLASS	35.3
2	SOAPS, COSMETICS	32.9
3	PHARMACEUTICALS	29.3
4	BEVERAGES	29.2
5	AIRLINES	28.1
6	COMPUTER PERIPHERALS	20.8
7	FOOD	20.5
8	PUBLISHING, PRINTING	20.5
9	CHEMICALS	19.8
10	COMPUTERS, OFFICE EQUIPMENT	19.5
11	SECURITIES	18.7
12	INDUSTRIAL AND FARM EQUIPMENT	17.4
13	MOTOR VEHICLES AND PARTS	17.1
14	COMMERCIAL BANKS	16.9
15	METAL PRODUCTS	16.9
16	AEROSPACE	16.9
17	PETROLEUM REFINING	16.7
18	SCIENTIFIC, PHOTO, CONTROL EQUIP.	15.8
19	ELECTRONICS, ELECTRICAL EQUIP.	15.8
20	METALS	15.7
21	MAIL, PACKAGE, FREIGHT DELIVERY	15.2
22	DIVERSIFIED FINANCIALS	14.9
23	RAILROADS	13.1
24	TELECOMMUNICATIONS	12.7
25	COMPUTER AND DATA SERVICES	12.6
26	FOOD AND DRUG STORES	12.2
27	INSURANCE: P&C (STOCK)	11.9
28	ENGINEERING, CONSTRUCTION	11.1
29	SPECIALTY RETAILERS	11.1
30	WHOLESALEERS	10.6
31	UTILITIES, GAS AND ELECTRIC	10.4
32	GENERAL MERCHANTISERS	10.2
33	INSURANCE: LIFE, HEALTH (STOCK)	8.6
34	PIPELINES	7.6
35	HEALTH CARE	6.8
36	ENTERTAINMENT	6.4
37	FOREST AND PAPER PRODUCTS	2.2
	THE 500 MEDIAN	13.9

MEDIANS

CONTINUED

FORTUNE **5** HUNDRED MEDIANS

RETURN ON REVENUES

INDUSTRY RANK	1998 %
1 PHARMACEUTICALS	18.5
2 COMMERCIAL BANKS	13.2
3 TELECOMMUNICATIONS	11.9
4 PUBLISHING, PRINTING	11.9
5 DIVERSIFIED FINANCIALS	10.1
6 BEVERAGES	9.9
7 RAILROADS	9.2
8 INSURANCE: P&C (STOCK)	8.6
9 SOAPS, COSMETICS	8.0
10 INSURANCE: LIFE, HEALTH (STOCK)	7.2
11 SECURITIES	7.1
12 CHEMICALS	6.8
13 UTILITIES, GAS AND ELECTRIC	6.8
14 BUILDING MATERIALS, GLASS	6.3
15 METAL PRODUCTS	6.1
16 HOTELS, CASINOS, RESORTS	6.1
17 METALS	5.8
18 AIRLINES	5.5
19 COMPUTERS, OFFICE EQUIPMENT	5.2
20 AEROSPACE	5.1
21 COMPUTER AND DATA SERVICES	5.0
22 FOOD SERVICES	4.2
23 FOOD	3.9
24 MAIL, PACKAGE, FREIGHT DELIVERY	3.8
25 MOTOR VEHICLES AND PARTS	3.8
26 ELECTRONICS, ELECTRICAL EQUIP.	3.6
27 INDUSTRIAL AND FARM EQUIPMENT	3.1
28 GENERAL MERCHANDISERS	3.1
29 COMPUTER PERIPHERALS	2.9
30 PETROLEUM REFINING	2.7
31 SPECIALTY RETAILERS	2.5
32 FOOD AND DRUG STORES	1.9
33 ENGINEERING, CONSTRUCTION	1.7
34 FOREST AND PAPER PRODUCTS	1.7
35 PIPELINES	1.5
36 HEALTH CARE	1.3
37 WHOLESALERS	1.1
38 ENTERTAINMENT	0.5
THE 500 MEDIAN	4.4

RETURN ON ASSETS

INDUSTRY RANK	1998 %
1 PHARMACEUTICALS	16.6
2 SOAPS, COSMETICS	11.1
3 BEVERAGES	9.3
4 PUBLISHING, PRINTING	8.6
5 COMPUTERS, OFFICE EQUIPMENT	7.3
6 MAIL, PACKAGE, FREIGHT DELIVERY	7.2
7 COMPUTER PERIPHERALS	7.0
8 HOTELS, CASINOS, RESORTS	6.9
9 METAL PRODUCTS	6.7
10 FOOD	6.6
11 FOOD SERVICES	6.5
12 COMPUTER AND DATA SERVICES	6.4
13 FOOD AND DRUG STORES	6.2
14 CHEMICALS	6.0
15 AIRLINES	5.6
16 TELECOMMUNICATIONS	5.4
17 SPECIALTY RETAILERS	4.9
18 AEROSPACE	4.9
19 MOTOR VEHICLES AND PARTS	4.8
20 GENERAL MERCHANDISERS	4.5
21 BUILDING MATERIALS, GLASS	4.4
22 METALS	4.3
23 ENGINEERING, CONSTRUCTION	4.2
24 ELECTRONICS, ELECTRICAL EQUIP.	4.2
25 INDUSTRIAL AND FARM EQUIPMENT	3.9
26 WHOLESALERS	3.4
27 RAILROADS	3.3
28 UTILITIES, GAS AND ELECTRIC	2.7
29 PETROLEUM REFINING	2.0
30 PIPELINES	1.4
31 DIVERSIFIED FINANCIALS	1.2
32 COMMERCIAL BANKS	1.2
33 INSURANCE: P&C (STOCK)	1.1
34 FOREST AND PAPER PRODUCTS	0.9
35 INSURANCE: LIFE, HEALTH (STOCK)	0.8
36 HEALTH CARE	0.8
37 SECURITIES	0.6
38 ENTERTAINMENT	0.2
THE 500 MEDIAN	3.4

RETURN ON EQUITY

INDUSTRY RANK	1998 %
1 PHARMACEUTICALS	39.4
2 SOAPS, COSMETICS	35.8
3 BEVERAGES	30.2
4 BUILDING MATERIALS, GLASS	26.2
5 AIRLINES	24.6
6 HOTELS, CASINOS, RESORTS	22.5
7 TELECOMMUNICATIONS	22.3
8 PUBLISHING, PRINTING	22.0
9 FOOD	20.1
10 DIVERSIFIED FINANCIALS	19.8
11 COMPUTERS, OFFICE EQUIPMENT	19.8
12 INDUSTRIAL AND FARM EQUIPMENT	18.7
13 MOTOR VEHICLES AND PARTS	18.2
14 CHEMICALS	17.9
15 SECURITIES	16.6
16 ELECTRONICS, ELECTRICAL EQUIP.	16.5
17 AEROSPACE	16.4
18 COMMERCIAL BANKS	16.0
19 GENERAL MERCHANDISERS	15.5
20 ENGINEERING, CONSTRUCTION	15.4
21 MAIL, PACKAGE, FREIGHT DELIVERY	15.3
22 COMPUTER AND DATA SERVICES	14.3
23 METAL PRODUCTS	13.9
24 FOOD SERVICES	13.2
25 FOOD AND DRUG STORES	12.9
26 COMPUTER PERIPHERALS	12.4
27 WHOLESALERS	12.3
28 SPECIALTY RETAILERS	11.1
29 INSURANCE: P&C (STOCK)	10.8
30 RAILROADS	10.8
31 METALS	10.4
32 UTILITIES, GAS AND ELECTRIC	10.2
33 INSURANCE: LIFE, HEALTH (STOCK)	9.2
34 HEALTH CARE	7.3
35 PIPELINES	7.1
36 PETROLEUM REFINING	6.0
37 FOREST AND PAPER PRODUCTS	3.2
38 ENTERTAINMENT	(0.6)
THE 500 MEDIAN	13.4

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MOST PROFITABLE INDUSTRIES
Return on Shareholders' Equity

« Return on Assets Revenues Per \$ of Assets »

Industry Rank	Industry	1999 Profits as % of Equity
1	Pharmaceuticals	35.8
2	Soaps, Cosmetics	29.1
3	Beverages	27.7
4	Computer Peripherals	26.7
5	Publishing, Printing	25.2
6	Airlines	24.0
7	Scientific, Photo, Control Equip.	22.6
8	Securities	21.5
9	Computers, Office Equipment	21.3
10	Computer And Data Services	21.3
11	Food	21.1
12	Diversified Financials	21.0
13	Engineering, Construction	19.4
14	Commercial Banks	18.0
15	Aerospace	17.9
16	Motor vehicles and Parts	17.9
17	Chemicals	17.9
18	Food Services	17.4
19	Industrial and Farm Equipment	17.0
20	Building materials, Glass	16.8
21	Food and Drug Stores	15.4
22	General Merchandisers	15.3
23	Metal Products	15.3
24	Specialty Retailers	14.7
25	Telecommunications	14.5
26	Health Care	14.1
27	Petroleum Refining	12.5
28	Utilities: Gas & Electric	11.8

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30	Wholesalers	11.8
31	Insurance: P & C (stock)	10.6
32	Temporary Help	10.4
33	Mail, Package, Freight Delivery	8.8
34	Automotive Retailing, Services	8.7
35	Forest and Paper Products	8.6
36	Insurance: Life, Health (stock)	7.9
37	Railroads	7.1
38	Hotels, Casinos, Resorts	6.8
39	Metals	5.5
40	Entertainment	4.8
41	Pipelines	2.2

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MOST PROFITABLE INDUSTRIES Return on Revenues

« Growth in Profits (5 Yrs.)
Return on Assets »

Industry Rank	Industry	1999 Profits as % of Revenues
1	Pharmaceuticals	18.6
2	Commercial Banks	15.8
3	Computer Peripherals	12.1
4	Telecommunications	11.7
5	Beverages	11.0
6	Scientific, Photo, Control Equip.	10.6
7	Publishing, Printing	10.5
8	Diversified Financials	10.1
9	Computer And Data Services	9.2
10	Securities	8.5
11	Computers, Office Equipment	7.3
12	Utilities: Gas & Electric	7.2
13	Soaps, Cosmetics	6.9
14	Insurance: P & C (stock)	6.4
15	Food Services	6.0
16	Railroads	5.9
17	Chemicals	5.7
18	Entertainment	5.6
19	Building materials, Glass	5.3
20	Aerospace	5.2
21	Airlines	5.1
22	Food	4.8
23	Insurance: Life, Health (stock)	4.8
24	Industrial and Farm Equipment	4.8
25	Forest and Paper Products	4.3
26	Engineering, Construction	4.1

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27	Metal Products	4.0
28	Electronics, Electrical Equip.	3.5
29	Motor vehicles and Parts	3.5
30	Petroleum Refining	3.4
31	General Merchandisers	3.4
32	Mail, Package, Freight Delivery	3.1
33	Health Care	2.8
34	Specialty Retailers	2.6
35	Hotels, Casinos, Resorts	2.6
36	Food and Drug Stores	2.1
37	Metals	2.1
38	Temporary Help	1.8
39	Automotive Retailing, Services	1.2
40	Wholesalers	0.7
41	Pipelines	0.5

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SEARCH BY KEYWORD: **MOST PROFITABLE INDUSTRIES****Return on Assets**« **Return on Revenues**
Return on Shareholders' Equity »

Industry Rank	Industry	1999 Profits as % of Assets
1	Pharmaceuticals	16.5
2	Computer Peripherals	15.4
3	Soaps, Cosmetics	11.7
4	Beverages	11.2
5	Scientific, Photo, Control Equip.	10.4
6	Computers, Office Equipment	9.3
7	Publishing, Printing	8.9
8	Food Services	8.3
9	Food	7.9
10	Computer And Data Services	7.9
11	Specialty Retailers	6.7
12	Aerospace	6.3
13	Electronics, Electrical Equip.	5.9
14	Food and Drug Stores	5.9
15	Engineering, Construction	5.5
16	Chemicals	5.3
17	Airlines	4.8
18	Mail, Package, Freight Delivery	4.7
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25	Building materials, Glass	4.2
26	Forest and Paper Products	3.7
27	Industrial and Farm Equipment	3.5
28	Health Care	2.9
29	Wholesalers	2.8

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30	Hotels, Casinos, Resorts	2.7
31	Utilities: Gas & Electric	2.6
32	Automotive Retailing, Services	2.5
33	Entertainment	2.4
34	Railroads	2.0
35	Diversified Financials	1.7
36	Metals	1.7
37	Commercial Banks	1.4
38	Insurance: P & C (stock)	1.2
39	Securities	1.0
40	Pipelines	0.5
41	Insurance: Life, Health (stock)	0.4

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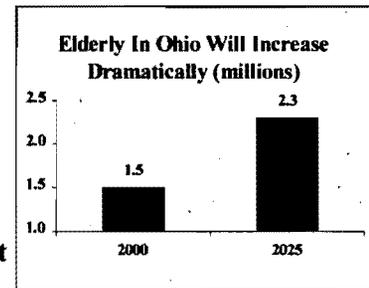
OHIO: THE NEED FOR MEDICARE REFORM

MEDICARE PROVIDES CRITICAL HEALTH CARE TO 1,689,000 IN OHIO

- **1,476,000 seniors and 213,000 people with disabilities in Ohio rely on Medicare.**
 - About 973,000 Medicare beneficiaries in Ohio (58 percent) are women.
 - About 170,000 Medicare beneficiaries in Ohio (10 percent) are age 85 and older.
 - About 325,000 Medicare beneficiaries in Ohio (19 percent) live in rural areas, with limited or no options for managed care or prescription drug coverage.
- **Poverty among the elderly in Ohio fell from 25 to 9 percent since Medicare was created.**

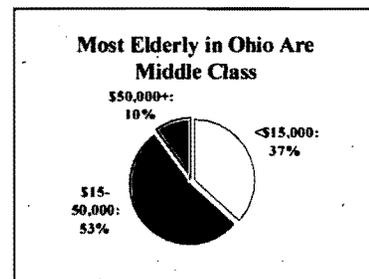
MEDICARE ENROLLMENT WILL SURGE IN OHIO

- **The number of seniors in Ohio will rise from 1,525,000 in 2000 to 2,305,000 in 2025.** The percent of residents in Ohio who are elderly will increase from 13 to 20 percent.
- **About 191,000 people (21%) ages 55 to 65 in Ohio, who are not yet eligible for Medicare, are uninsured or individually insured.** People age 55 to 65 are the fastest growing group of uninsured. The same demographic trend will affect this age group, making this problem even worse in the near future.



OHIO SENIORS NEED PRESCRIPTION DRUG COVERAGE

- **Only 28 percent of Ohio firms offer retiree health insurance.** Retiree health insurance provides good prescription drug coverage, but only one-quarter of Medicare beneficiaries nationwide have this coverage. This will be lower in the future since 25 percent fewer firms offered retiree health in 1998 than 1994.
- **The monthly premium for Medigap insurance including prescription drugs averages \$131 in Ohio, which is out of reach for many seniors.** Medigap (supplemental health insurance for beneficiaries) has plans that include prescription drugs, but these plans are typically costly and their premiums increase dramatically with age. Only about 1 in 10 Medicare beneficiaries nationwide purchases Medigap with drug coverage, and the extra cost is about \$90 per month.
- **Access to prescription drug coverage through Medicare managed care is limited.** About 1,537,564 or 83 percent of Medicare beneficiaries in Ohio have the option of enrolling in a basic managed care plan that offers prescription drugs. However, nationwide, an increasing number of plans are capping their drug coverage at \$1,000 or even \$500.
- **About 766,000 of all elderly in Ohio are middle class (\$15-50,000) and would not be eligible for a low-income prescription drug benefit.**



OHIO HEALTH CARE PROVIDERS RELY ON MEDICARE

- **Health care providers in Ohio depend on \$9 billion in Medicare spending.** Medicare pays for 19 percent of all personal health care expenditures in Ohio. This is critical to:
 - 176 hospitals, 31,900 physicians, 856 nursing homes, and other providers in Ohio.

Republican Arguments Against Modernizing Medicare In 1999 Echo Their Arguments Against Creating Medicare In 1965

Thirty-four years ago, on July 30, 1965, President Lyndon Johnson signed Medicare into law. Arguments that Republicans opposed to the creation of Medicare used were very similar to those used by Republicans today opposed to strengthening and modernizing Medicare.

1965 Arguments Against Medicare Hospital and Physician Coverage	1999 Arguments Against Medicare Prescription Drug Coverage
<p>Sen. Milward Simpson (R-WY) “Presently, over 60 percent of our older citizens purchase hospital and medical insurance without Government assistance. This private effort would cease if Government benefits were given to all our older citizens.” [Sen. Congressional Record (#15874), 7/8/65]</p> <p>Sen. John Williams (R-DE) “Such a program of complete coverage without regard to need is socialized medicine and it has failed in practically every country which has thus far tried it. In every instance it has resulted in a deterioration of doctors’ services.” [Senate Congressional Record (#16147), 7/9/65]</p> <p>Rep. John Anderson (R-IL): “It will needlessly force duplication of coverage for those over 65 who are already adequately covered at no cost to themselves under adequate programs of group health insurance, provided by their employers, their unions or by other organization. These people have no need for a government program.” [House Congressional Record (#7376), 4/8/65]</p> <p>Rep. Tim Carter (R-KY) “We are now embarking on a new adventure in medical practice, one in which the rich will enjoy the same free medical care we have always given the poor. I would ask if the expenditure of these vast sums of money is necessary to help the rich instead of the poor who really need the help.” [House Congressional Record (#7410), 4/8/65]</p>	<p>Senate Majority Leader Trent Lott (R-MS) “Why would you want to make it available to people, many of whom already have it now? In fact, 68 percent of people on Medicare have prescription drugs in one way or another.” [Federal News Service, 6/29/99]</p> <p>House Majority Leader Dick Armey (R-TX) “It's been the tradition in the president's party to do one size fits all. If you have 31 percent of people with a problem, you ought to put together a 31 percent solution, not a 100 percent solution.” [Associated Press, 6/29/99]</p> <p>Sen. Phil Gramm (R-TX) “It isn't a matter of whether there ought to be a prescription drug benefit offered by Medicare, but whether we're going to help those who need it most or launch a "universal" program we don't need and can't afford.... New drug benefits should go to those who need them – roughly a third of retirees – not to the two-thirds who are already covered,” [Op-Ed by Sen. Phil Gramm, USA Today, 6/30/99]</p> <p>Sen. Rick Santorum (R-PA) “What we need to do is focus our resources toward lower income people and really narrow the benefits, particularly to those who have higher prescription drug bills.” [Morning Call (Allentown), 6/30/99]</p>

PRESCRIPTION DRUG ESTIMATES

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-05	2001-10
President's Base Plan												
Cap			2000	2000	3000	3000	4000	4000	5000	5126		
Stop-Loss												
Fed Cost			6.845	14.477	16.786	18.978	21.714	24.153	27.160	30.230	38.108	160.343
Growth				111%	16%	13%	14%	11%	12%	11%		
Option 1a: \$4000 beginning in 2006, indexed to gen'l inflation												
Cap			2000	2000	3000	3000	4000	4000	5000	5126		
Stop-Loss						4000	4100	4202	4308	4415		
Fed Cost			6.845	14.477	16.786	21.958	27.271	31.069	35.017	39.414	38.108	192.837
Growth				111%	16%	31%	24%	14%	13%	13%		
Additional Cost			0.000	0.000	0.000	2.980	5.557	6.916	7.857	9.184	0.000	32.494
Option 2a: \$4000 beginning in 2006, indexed to drug inflation												
Cap			2000	2000	3000	3000	4000	4000	5000	5420		
Stop-Loss						4000	4348	4713	5109	5538		
Fed Cost			6.845	14.477	16.786	21.958	27.033	30.344	33.757	37.629	38.108	188.829
Growth				111%	16%	31%	23%	12%	11%	11%		
Additional Cost			0.000	0.000	0.000	2.980	5.319	6.191	6.587	7.399	0.000	28.486
Option 3a: \$3000 beginning in 2006, indexed to drug inflation; 10% coinsurance												
Cap			2000	2000	3000	3000	4000	4000	5000	5420		
Stop-Loss						3000	Drug Inflation					
Fed Cost			6.845	14.477	16.786	22.853	28.537	32.042	35.488	39.416	38.108	196.444
Growth				111%	16%	36%	25%	12%	11%	11%		
Additional Cost			0.000	0.000	0.000	3.875	6.823	7.889	8.328	9.186	0.000	36.101
Option 1b: \$4000 beginning in 2003, indexed to gen'l inflation												
Cap			2000	2000	3000	3000	4000	4000	5000	5126		
Stop-Loss			4000	4100	4202	4308	4415	4526	4639	4755		
Fed Cost			8.231	18.205	21.002	23.932	27.343	30.723	34.643	38.992	47.438	203.071
Growth				121%	15%	14%	14%	12%	13%	13%		
Additional Cost			1.386	3.728	4.216	4.954	5.629	6.570	7.483	8.762	9.330	42.728
Option 2b: \$4000 beginning in 2003, indexed to drug inflation												
Cap			2000	2000	3000	3000	4000	4000	5000	5420		
Stop-Loss			4000	4376	4792	5228	5683	6160	6677	7238		
Fed Cost			8.231	17.989	20.431	22.882	25.835	28.621	31.949	35.706	46.651	191.644
Growth				119%	14%	12%	13%	11%	12%	12%		
Additional Cost			1.386	3.512	3.645	3.904	4.121	4.468	4.789	5.476	8.543	31.301
Option 3b: \$3000 beginning in 2006, indexed to drug inflation; 10% coinsurance												
Cap			2000	2000	3000	3000	4000	4000	5000	5420		
Stop-Loss			3000	3282	3594	3921	4262	4620	5008	5429		
Fed Cost			8.754	19.243	21.661	24.15	27.136	30.026	33.437	37.301	49.658	201.708
Growth				120%	13%	11%	12%	11%	11%	12%		
Additional Cost			1.909	4.766	4.875	5.172	5.422	5.873	6.277	7.071	11.550	41.365

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1/1/02	OPENING BALANCE		100.00
1/15/02	PAYROLL	50.00	150.00
1/30/02	RENT	20.00	130.00
2/15/02	UTILITIES	10.00	120.00
2/28/02	SALES	30.00	150.00
3/15/02	PAYROLL	50.00	200.00
3/31/02	RENT	20.00	180.00
4/15/02	UTILITIES	10.00	170.00
4/30/02	SALES	30.00	200.00
5/15/02	PAYROLL	50.00	250.00
5/31/02	RENT	20.00	230.00
6/15/02	UTILITIES	10.00	220.00
6/30/02	SALES	30.00	250.00
7/15/02	PAYROLL	50.00	300.00
7/31/02	RENT	20.00	280.00
8/15/02	UTILITIES	10.00	270.00
8/31/02	SALES	30.00	300.00
9/15/02	PAYROLL	50.00	350.00
9/30/02	RENT	20.00	330.00
10/15/02	UTILITIES	10.00	320.00
10/31/02	SALES	30.00	350.00
11/15/02	PAYROLL	50.00	400.00
11/30/02	RENT	20.00	380.00
12/15/02	UTILITIES	10.00	370.00
12/31/02	SALES	30.00	400.00

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-06	2001-10
President's Base Plan												
Cap			2000	2000	3000	3000	4000	4000	5000	5126		
Stop-Loss												
Fed Cost			6.946	14.477	16.786	18.978	21.714	24.163	27.160	30.230	38.108	160.343
Growth					16%	13%	14%	11%	12%	11%		
Premiums			\$26	\$27	\$35	\$36	\$43	\$44	\$51	\$54		
Option 1a: \$4000 beginning in 2006, indexed to gen'l inflation												
Cap		2000	2000		3000	3000	4000	4000	5000	5126		
Stop-Loss						4000	4100	4202	4308	4415		
Fed Cost			6.946	14.477	16.786	21.958	27.271	31.089	36.017	39.414	38.108	192.837
Growth					16%	31%	24%	14%	13%	13%		
Additional Cost			0.000	0.000	0.000	2.980	5.557	6.918	7.857	9.194	0.000	32.494
Growth							86%	24%	14%	17%		
Premiums			\$26	\$27	\$35	\$33	\$61	\$86	\$74	\$80		
Option 2a: \$4000 beginning in 2006, indexed to drug inflation												
Cap		2000	2000		3000	3000	4000	4000	5000	5420		
Stop-Loss						4000	4348	4713	5109	5538		
Fed Cost			6.946	14.477	16.786	21.958	27.033	30.344	33.767	37.629	38.108	189.829
Growth					16%	31%	23%	12%	11%	11%		
Additional Cost			0.000	0.000	0.000	2.980	5.319	6.191	6.597	7.399	0.000	28.486
Growth							78%	16%	7%	12%		
Premiums			\$26	\$27	\$35	\$33	\$59	\$63	\$70	\$75		
Option 3a: \$3000 beginning in 2006, indexed to drug inflation; 10% coinsurance												
Cap		2000	2000		3000	3000	4000	4000	5000	5420		
Stop-Loss						3000	3261	3535	3832	4154		
Fed Cost			6.946	14.477	16.786	22.953	28.637	32.042	36.498	39.418	38.108	195.444
Growth					16%	36%	25%	12%	11%	11%		
Additional Cost			0.000	0.000	0.000	3.875	6.823	7.889	8.328	9.186	0.000	36.101
Growth							76%	16%	6%	10%		
Premiums			\$26	\$27	\$35	\$37	\$63	\$67	\$74	\$79		
Option 1b: \$4000 beginning in 2003, indexed to gen'l inflation												
Cap		2000	2000		3000	3000	4000	4000	5000	5126		
Stop-Loss		4000	4100		4202	4308	4415	4526	4639	4755		
Fed Cost		9.231	18.206		21.002	23.932	27.343	30.723	34.643	38.992	47.438	203.071
Growth					16%	14%	14%	12%	13%	13%		
Additional Cost		1.386	3.728		4.216	4.954	5.629	6.570	7.483	8.762	9.330	42.728
Growth					13%	18%	14%	17%	14%	17%		
Premiums		\$36	\$39		\$48	\$52	\$60	\$64	\$72	\$79		
Option 2b: \$4000 beginning in 2003, indexed to drug inflation												
Cap		2000	2000		3000	3000	4000	4000	5000	5420		
Stop-Loss		4000	4376		4792	5228	5683	6160	6677	7238		
Fed Cost		9.231	17.989		20.431	22.882	26.696	29.621	31.948	36.708	48.651	191.544
Growth					12%	12%	12%	12%	11%	12%		
Additional Cost		1.386	3.512		3.645	3.804	4.121	4.469	4.789	5.476	8.543	31.301
Growth					4%	7%	6%	8%	7%	14%		
Premiums		\$36	\$39		\$48	\$48	\$55	\$58	\$65	\$70		
Option 3b: \$3000 beginning in 2006, indexed to drug inflation; 10% coinsurance												
Cap		2000	2000		3000	3000	4000	4000	5000	5420		
Stop-Loss		3000	3282		3594	3921	4262	4620	5008	5429		
Fed Cost		8.754	19.243		21.661	24.15	27.198	30.026	33.437	37.301	49.658	201.708
Growth					13%	11%	12%	11%	11%	12%		
Additional Cost		1.909	4.766		4.875	5.172	5.422	5.873	6.277	7.071	11.850	41.365
Growth					2%	6%	5%	8%	7%	13%		
Premiums			\$39	\$42		\$49	\$52	\$58	\$63	\$74		

\$3500?

Can we solve close to \$35 billion w/ round numbers to start a deductible index?

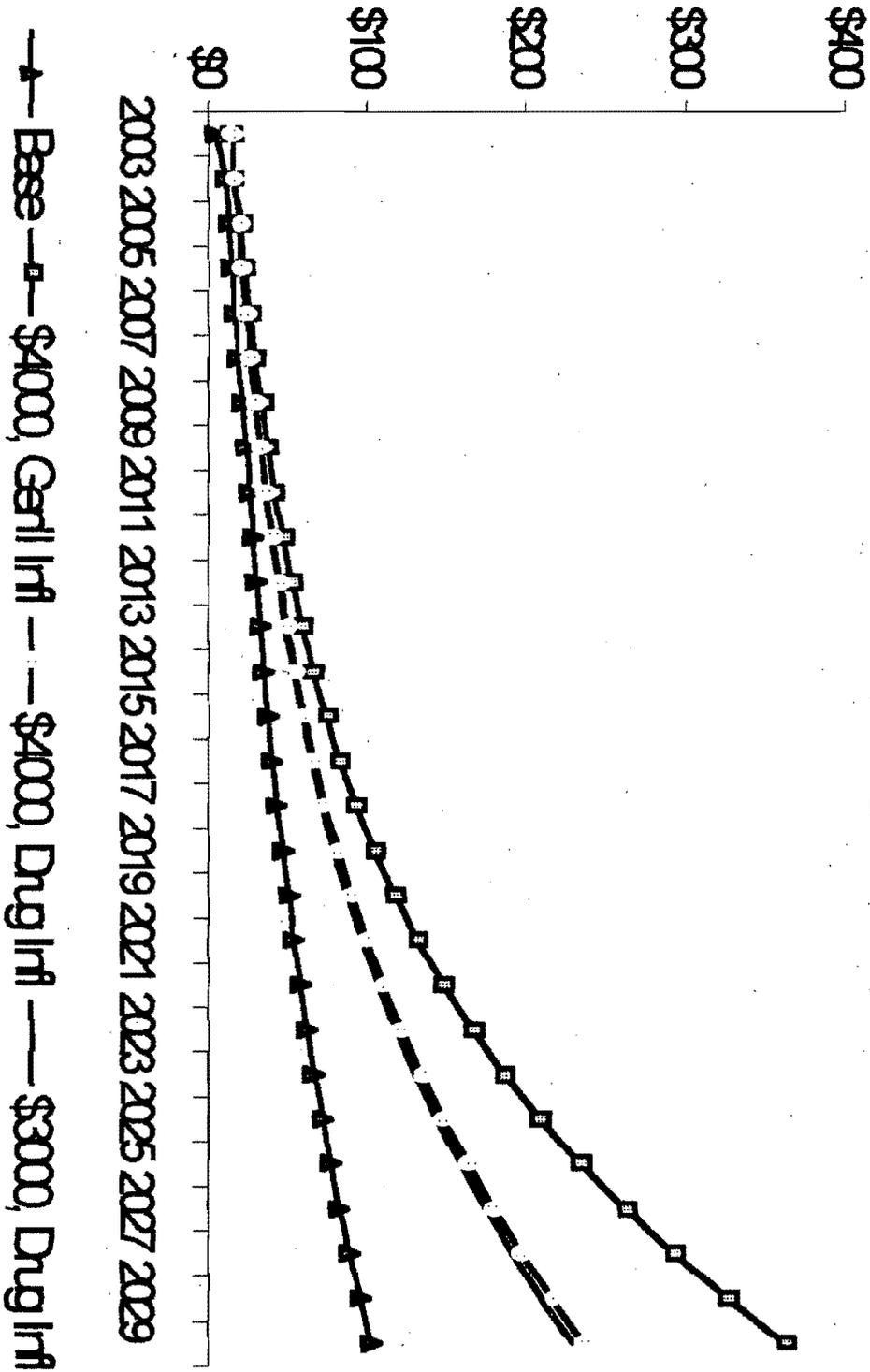
Should have made this \$3,000. Nice to compare w/ 3a

Also \$3,500

Does it copy help slow growth unnecessary (maybe) or just offset cost?

Numbers don't seem high enough even though just 3 years, why? Shouldn't they be semi-proportional to outyears?

Growth In Medicare Drug Benefit Costs



PhRMA Medicare Prescription Drug Proposal

The Pharmaceutical Research and Manufacturers of America (PhRMA) supports pharmaceutical coverage for Medicare beneficiaries. We believe that the best way to provide pharmaceutical coverage to Medicare beneficiaries is through comprehensive modernization of the Medicare program to provide beneficiaries a choice of health plans that would also provide drug coverage. If such modernization does not occur this year, PhRMA would support federal legislation that would provide all seniors with access to pharmaceutical insurance coverage, wherever they live and no matter how sick they are.

Such a proposal would have the following elements:

1. All beneficiaries would have the ability to enroll in a pharmaceutical coverage plan of their choosing. *→ separate or integrated?*
2. Federal government subsidies would help low-income beneficiaries afford coverage. *some or all? probably all.*
3. Coverage would be offered through competing, private insurance plans that rely on marketplace competition to control costs and improve quality. *plans*
4. Plans would provide coverage for beneficiaries with high pharmaceutical expenditures. *- CATA risk adjust*
5. Beneficiaries would have access to all medicines. *- Formulary ok w/ doc direction*
6. Plans would be overseen by a new, independent government entity.
7. This new program would be consistent with, and step toward, needed comprehensive modernization of the Medicare program.

Several existing proposals embody these elements in whole or part. We offer our assistance and support in advancing the goal of enhanced pharmaceutical coverage this year.

subsidy requirement for all plans

Risk pool

Attachment 1

106th Congress Universal Medicare Prescription Drug Benefit Legislation

House total = 81 (1 Republican, 1 Independent, 79 Democrats)

Senate total = 14 (6 Republicans, 8 Democrats)

S. 1480 SPONSOR: Sen Snowe, Olympia J. (introduced 08/04/99)

A bill to amend title XVIII of the Social Security Act to assure access of medicare beneficiaries to prescription drug coverage through the SPICE drug benefit program.

S. 841 SPONSOR: Sen Kennedy, Edward M. (introduced 07/14/99)

A bill to amend title XVIII of the Social Security Act to provide for coverage of outpatient prescription drugs under the Medicare program.

H.R. 1109 SPONSOR: Rep Engel, Eliot L. (introduced 03/15/99)

A bill to amend title XVIII of the Social Security Act to provide for coverage of outpatient prescription drugs under Part B of the Medicare Program, and for other purposes.

H.R. 886 SPONSOR: Rep Frank, Barney (introduced 03/01/99)

Requires the Secretary of Health and Human Services to submit to Congress a plan to include as a benefit under the Medicare Program coverage of outpatient prescription drugs, and to provide for the funding of such benefit.

H.R. 1796 SPONSOR: Rep Cardin, Benjamin L. (introduced 05/13/99)

A bill to amend Part B of title XVIII of the Social Security Act to provide for a chronic disease prescription drug benefit under the Medicare Program.

H.R. 2012 SPONSOR: Rep Deutsch, Peter (introduced 06/07/99)

A bill to amend title XVIII of the Social Security Act to provide for coverage of outpatient prescription drugs under the Medicare Program.

H.R. 2782 SPONSOR: Rep Pallone Jr., Frank (introduced 08/05/99)

A bill to title XVIII of the Social Security Act to assure access to Medicare beneficiaries to prescription drug coverage through the SPICE drug benefit program.

S. 1895 SPONSOR: Sen Breaux, John B. (introduced 11/09/99)

A bill to amend the Social Security Act to preserve and improve the medicare program.

S. 696 SPONSOR: Sen Wellstone, Paul D. (introduced 03/24/99)

A bill to require the Secretary of Health and Human Services to submit to Congress a plan to include as a benefit under the medicare program coverage of outpatient prescription drugs, and to provide for the funding of such benefit.

S. 1535 SPONSOR: Sen Grams, Rod (introduced 08/05/99)

A bill to amend title XVIII of the Social Security Act to provide for coverage of outpatient prescription drugs under part B of the medicare program, and for other purposes.

w:\universal.wpd

Universal Benefit Sponsors/Cosponsors

COSPONSORS

LEGISLATION

Olympia J. Snowe (R)	S. 1480
Ron Wyden (D)	S. 1480
Edward M. Kennedy (D)	S. 841
John D. Rockefeller (D)	S. 841
Paul D. Wellstone (D)	S. 841 S. 696
John F. Kerry (D)	S. 841
Daniel K. Inouye (D)	S. 841
John B. Breaux (D)	S. 1895
Bill Frist (R)	S. 1895
Chuck Hagel (R)	S. 1895
Judd Gregg (R)	S. 1895
J. Robert Kerrey (D)	S. 1895
Christopher S. Bond (R)	S. 1895
Rod Grams (R)	S. 1535
John Dingell (D)	H.R. 1495
Henry A. Waxman (D)	H.R. 1495
Charles B. Rangel (D)	H.R. 1495
Sherrod Brown (D)	H.R. 1495
Jim McDermott (D)	H.R. 1495 H.R. 886
John Lewis (D)	H.R. 1495 H.R. 886
John Elias Baldacci (D)	H.R. 1495
Eliot L. Engel (D)	H.R. 1109

Martin Frost (D)	H.R. 495 H.R. 1109 H.R. 1796
Bob Filner (D)	H.R. 495 H.R. 1109
Thomas H. Allen (D)	H.R. 495
John Joseph Moakley (D)	H.R. 495 H.R. 886
Peter A. DeFazio (D)	H.R. 495
Marcy Kaptur (D)	H.R. 495
Barney Frank (D)	H.R. 495 H.R. 886
Martin T. Meehan (D)	H.R. 495 H.R. 886
Rick Boucher (D)	H.R. 495 H.R. 1796
Janice D. Schakowsky (D)	H.R. 495
Nancy Pelosi (D)	H.R. 495 H.R. 886
John F. Tierney (D)	H.R. 495 H.R. 886
William D. Delahunt (D)	H.R. 495
Karen L. Thurman (D)	H.R. 495 H.R. 1796
Michael E. Capuano (D)	H.R. 495 H.R. 886
Edward J. Markey (D)	H.R. 495 H.R. 886
Bart Stupak (D)	H.R. 495
James P. McGovern (D)	H.R. 495 H.R. 886
Max Sandlin (D)	H.R. 495
George Miller (D)	H.R. 495 H.R. 886

Patrick J. Kennedy (D)	H.R. 1495 H.R. 1796
Albert R. Wynn (D)	H.R. 1495 H.R. 1109
Gene Green (D)	H.R. 1495
Anthony D. Weiner (D)	H.R. 1495 H.R. 1109
Jerrold Nadler (D)	H.R. 1495 H.R. 1109
Debbie Stabenow (D)	H.R. 1495
Tammy Baldwin (D)	H.R. 1495
Ted Strickland (D)	H.R. 1495
James A. Barcia (D)	H.R. 1495
Ruben Hinojosa (D)	H.R. 1495
David E. Bonior (D)	H.R. 1495
Michael R. McNulty (D)	H.R. 1495 H.R. 1109
Joseph Crowley (D)	H.R. 1495 H.R. 1109
Barbara Lee (D)	H.R. 1495 H.R. 886
Shelley Berkley (D)	H.R. 1495
Donna MC Christensen (D)	H.R. 1495
Neil Abercrombie (D)	H.R. 1495 H.R. 886
Luis V. Gutierrez (D)	H.R. 1495 H.R. 1109 H.R. 886
Nick J. Rahall (D)	H.R. 1495
Ed Pastor (D)	H.R. 1495
Eleanor Holmes Norton (D)	H.R. 1495 H.R. 1109

Juanita Millender-McDonald (D)	H.R. 1495
Gregory W. Meeks (D)	H.R. 1495 H.R. 1109
Julian C. Dixon (D)	H.R. 1495
Maurice D. Hinchey (D)	H.R. 1495 H.R. 1109 H.R. 886
Tom Lantos (D)	H.R. 1495
Elijah E. Cummings (D)	H.R. 1495
Nydia M. Velazquez (D)	H.R. 1495 H.R. 1109
Bruce F. Vento (D)	H.R. 1495
Peter Deutsch (D)	H.R. 2012
John Larson (D)	H.R. 1495
Frank Pallone, Jr. (D)	H.R. 2782
Major R. Owens (D)	H.R. 1109 H.R. 2782
Bobby L. Rush (D)	H.R. 1109 H.R. 886
Gary L. Ackerman (D)	H.R. 1109
Carolyn McCarthy (D)	H.R. 1109
John J. LaFalce (D)	H.R. 1109 H.R. 1796
Earl F. Hilliard (D)	H.R. 1109
Stephanie Tubbs Jones (D)	H.R. 1109
Bennie G. Thompson (D)	H.R. 1109
Carolyn B. Maloney (D)	H.R. 1109 H.R. 886
Benjamin L. Cardin (D)	H.R. 886 H.R. 1796
David R. Obey (D)	H.R. 886
Louise McIntosh Slaughter (D)	H.R. 886

Bernard Sanders (I)	H.R. 886
John W. Olver (D)	H.R. 886
Fortney Pete Stark (D)	H.R. 886 H.R. 1495 H.R. 1796
Zoe Lofgren (D)	H.R. 886
Robert T. Matsui (D)	H.R. 886
Melvin-L. Watt (D)	H.R. 886
William J. Coyne (D)	H.R. 1796
Sander M. Levin (D)	H.R. 1796
Darlene Hooley (D)	H.R. 1796
Robert Wexler (D)	H.R. 2012
Marge Roukema (R)	H.R. 2782
Steve R. Rothman (D)	H.R. 2782

Coverage #

Parents
Policy

leaders risk future discontent. Over voters are now under 30. Younger Iranians, especially women, are drawn by the promise of greater individual freedom, more democracy and less religious policing of ordinary life. In May 1997, Mr. Khatami defeated the clerical establishment's candidate by more than two to one. In last year's municipal elections, reformers won nearly 70 percent of the vote.

Designing a Medicare Drug Benefit

The recent decision by drug manufacturers to work with Congress and the White House to add a prescription drug benefit to Medicare this year is encouraging. It may even be what led President Clinton to forgo anticipated attacks on the industry's pricing practices in his State of the Union address. But it is premature to celebrate. Unless Congress passes the right kind of drug benefit — generous and properly designed — it could do future Medicare recipients more harm than good.

Drug manufacturers have long fought passing any Medicare drug plan unless it was part of an extensive redesign of the entire Medicare program, something few politicians think possible in an election year. The manufacturers feared that stand-alone plans, under which the government would buy drugs on behalf of 40 million retirees, would inevitably lead to price controls, squashing profits and innovation.

Policy experts point to another problem with stand-alone plans. Medicare desperately needs reform. Its costs are expected to double as a percentage of national income over the next several decades, yet Medicare benefits are skimpy. For example, they do not limit a beneficiary's out-of-pocket costs. Getting Congress to pass a major overhaul — adding expensive benefits and injecting enough competition into the program to control costs — will be difficult. Reformers want to hold out the bait of a drug benefit to lure political support.

If a drug benefit is passed separately, further reform of Medicare could be delayed indefinitely. So if Congress proceeds with a drug benefit now, the

is opposed to weakening the power of religious officials. The clerics hope that with politically experienced reformers like Mr. Nouri excluded from Parliament, Mr. Rafsanjani could become the legislature's dominant figure.

It is encouraging that the clerics recognize the strength of reform sentiment. But their response to it so far is shortsighted and possibly dangerous.

coverage should be generous and designed in a way that would not interfere with future efforts to overhaul the program. A bipartisan bill sponsored by Senators Olympia Snowe, Republican of Maine, and Ron Wyden, Democrat of Oregon, provides one attractive option.

The Snowe-Wyden bill would create a board to oversee competition among private plans offering retirees a drug benefit. The sponsors leave unspecified the copayments, deductibles and other features of the drug plans — a flaw that Congress would need to fix. Under the proposal, the government would pay the entire premium for couples earning less than about \$15,000 a year and part of the premium for everyone else, with the subsidy declining as family income rises. The benefit would probably cost at least \$15 billion a year, perhaps 25 percent more than the benefit President Clinton has proposed.

The plan's hidden virtue is that the same structure that offers retirees a choice of competing drug plans can be expanded later to offer a choice of competing health plans, much as the Federal Employees Health Benefits Program offers a choice to members of Congress and other federal employees. That way Congress can pass a drug benefit today without fear that it would clash with efforts to reform the rest of the Medicare program tomorrow. The drug companies say the Snowe-Wyden plan is not their preferred choice, but they can live with it. Perhaps their turnabout will not prove an empty gesture offered merely to fend off election-year attacks by President Clinton and Congress.

reen Dowd and Bob E. Pol," Jan. 3

The problem date — it's straight to us, he will prove his where does worse, as a leave us?

When policy is a danger fit for only cated, discern they can pe example.

The Steve

To the Editor "Silver Tows," Richard 30 Op-Ed article, reminds Democratic toppled Tam City was inspired by voluntary experienced camp

The 1958 D al primary event fought es and door-t yenson's influence campaign leaders were volunteers to forts. "You know," he said. "You done to win it. "Oh!" she crowd. "That was Stevenso

industry source said it's clear the Democrats are making a concerted effort to become the champions of privacy in the minds of the electorate.

- o **White House-Congressional Panel Urges Rejection Of PNTR For China.** The US Commission on International Religious Freedom, appointed by the White House and Congress, urged lawmakers on today to deny permanent trading benefits to China, citing Beijing's crackdown on the Falun Gong spiritual movement and other religious groups. The panel issued its non-binding recommendation less than a month before the vote.

The commission – made up of nine experts on religious and human rights issues – criticized Beijing's nationwide crackdown on Falun Gong, and accused China of repressing Roman Catholics, Protestants and Tibetan Buddhists. In a report, the panel said Congress should only grant PNTR to China after Beijing makes a “substantial improvement in respect for religious freedom.” As a precondition for PNTR, the commission said Beijing should release all religious prisoners, open a high-level dialogue with Washington on religious-freedom issues and ratify the International Convention on Civil and Political Rights. The commission also said Congress should hold annual hearings on human rights and religious freedom in China, extend an invitation to the Dalai Lama to address a joint session of Congress, and use its “diplomatic influence” to ensure that China is not selected as a site for the Olympic Games.

- o **Zogby Poll Shows Support For Alternative GOP Prescription Drug Benefit Plan.** A new Zogby Poll shows support for a Medicare prescription drug benefit authored by the Republican Leadership Coalition (RLC) and recently introduced in the Senate by Senators Smith and Allard. The RLC plan, according to the group, would create a voluntary prescription drug benefit that would cover 50 percent of up to \$5,000 in drug prescriptions per year.

In a fact sheet outlining their plan, the RLC says it rests on three major pillars. One, “Medicare pays \$1,400 more per senior if the senior owns a Medigap plan that covers the Part A and Part B deductible. Seniors could save about \$550 on their Medigap plans if they traded their current Medigap plan for one that didn't cover the deductible.”

Two, “Medicare Part A has a \$768 deductible and Medicare Part B has a \$100 deductible. Create a new deductible of \$675 and apply all hospital costs, doctor visits, lab tests and prescription drug costs to the new deductible. After the deductible is reached, regular Medicare pays the benefits. Seniors could even use their \$550 in savings to help pay the \$675 deductible.”

Three, “After the \$675 deductible is met, Medicare pays 50 percent of the first \$5,000 worth of prescription drugs.”

In the polling, 975 likely voters – a mixture of senior citizens and independents (+/- 3.2) – were told, “The Republican Leadership Coalition has proposed a voluntary prescription drug benefit plan that would begin next year and cover 50% of up to \$5,000 in drug prescriptions per year. There will be no increase in the Medicare premium. There will be a new combined \$675 deductible that would count all hospital, doctor and prescription costs toward the deductible. The cost to the Medicare trust fund would be zero.” 68.2% either strongly (29.4%) or somewhat (38.8%) supported such a plan, 18.8% either strongly (8.4%) or somewhat (10.4%) opposed it.

Respondents were also told, “President Clinton has proposed a prescription drug benefit plan that would begin in 2003, and cost \$26 a month. It would pay 50% of up to \$2,000 in prescriptions per year. By 2009, seniors would pay \$51 a month for up to 50% of \$5,000 in prescriptions per year. The \$100 deductible will stay the same. It is estimated that the cost to the Medicare trust fund would be \$203 billion.” 8.1% strongly supported such an approach, while 19.3% somewhat supported it. 37.2% were strongly opposed to the plan; 22.1% were somewhat opposed.

Noting the numbers in a memo to Republican Members of Congress entitled “Zogby Poll Shows How Republicans Can Clobber Clinton On The Key Election Issue of Prescription Drugs,” RLC Chairman Scott Reed said, “This 40% difference occurred without even stating that seniors will receive a Medigap premium reduction of about \$550 a year, if they choose the \$675 combined deductible.”

*Steve Miller
636
33 74
832-7278* *2 Mark Gorman
824-8216*

QUESTIONS AND ANSWERS ON PRESCRIPTION DRUGS

Q: What is your response to the Zogby poll indicating that seniors support the Republican prescription drug proposal over the President's?

A: We are paying absolutely no attention to this biased, inaccurate, and poorly constructed polling data. This poll, based on false characterizations of the President's proposal and misleading presentation of one Republican proposal, was clearly designed by some Republicans to provide a false sense of security to members concerned about their inadequate and flawed prescription drug concept. (The policy outlined in this poll is not the approach being advocated by the House Republican leadership.)

It's important to note that the proposal referenced by the Zogby poll would increase co-payments for physician services for virtually every Medicare beneficiary by hundreds of dollars and would not provide any drug benefit until the beneficiary had spent over \$675 in total out-of-pocket health care costs. This could result in lower income beneficiaries failing to access the services and drugs they need because they simply cannot afford them. The President's proposal has no drug deductible and provides for a new benefit to cover the costs of catastrophic drug expenses, which also was not mentioned in the polling questions.

In addition, the survey instrument says that the President's proposal would cost approximately \$200 billion to the Medicare Trust Fund. In fact, the President's proposal would incur no cost to the Medicare Trust Fund at all, and extends the life of the Trust Fund to 2030. The President's proposal would be financed by competitively achieved savings and on-budget surplus.

Obviously, if you ask people misleading survey questions that mischaracterize policy then you get misleading and inaccurate results.

Draft Outline of Drug Proposal

Overview: The Senate Democrats' prescription drug coverage bill would create a universal but voluntary prescription drug benefit in the Medicare program. The benefit is designed to assist the 3 out of 5 Medicare beneficiaries who lack dependable, affordable prescription drug coverage, provide coverage for catastrophic drug costs, and give seniors bargaining power that they lack today.

Major Features of the Bill

Voluntary benefit in Medicare (Title XVIII of the Social Security Act). The bill ensures that all beneficiaries have the option of prescription drug coverage, whether they are in traditional Medicare, a Medicare+Choice plan, or a retiree health plan. Under the plan, fee-for-service Medicare would offer a drug benefit for the first time, and drug coverage under Medicare+Choice would become a stable, defined benefit. Those who have stable, private coverage can keep it.

Premium: Beneficiaries would pay premiums that cover half the cost of the program. The government would subsidize half the costs to ensure adequate participation and affordability. (In comparison, beneficiaries pay 25% of the cost of Part B.) Beneficiaries with income up to 135% of poverty would receive full assistance with premiums and cost sharing. Between 135 and 150% of poverty, beneficiaries would receive assistance with premiums on a sliding scale.

Benefit Design: The benefit would cover 50% of discounted drug costs up to \$5000 when fully phased in, as well as coverage for catastrophic drug costs. Beneficiaries would have access to lower, negotiated prices for drugs. The bill would ensure coverage of up-front costs in 2002 and catastrophic drug costs beginning in 2003. The catastrophic component is expected to cover costs that exceed approximate out-of-pocket expenses above \$3,000 to \$4,000. The proposal dedicates \$45-50 billion over 10 years to catastrophic coverage.

Private Sector Administration of Benefit: For beneficiaries in traditional Medicare, the benefit would be delivered by private entities (e.g., pharmaceutical benefit managers, managed care plans, pharmacy coalitions) that negotiate prices with drug manufacturers and administer the benefit, the same mechanism used by most private insurers. The private entities would compete to deliver the benefit in a specified geographic area, and would be chosen based on its cost and quality. The proposal would require that there are enough geographic regions specified (at least 15) to maintain competition. Beneficiaries in Medicare+Choice who elect Part D would receive the benefit through their +Choice plan, and the plan would receive payment to provide that benefit.

Buying Power and Lower Prices for Medicare Beneficiaries: The benefit structure uses the purchasing power of Medicare's 40 million enrollees to get the type of drug price discounts that other large, private sector buyers get. As a result, beneficiaries will not only gain coverage through the new benefit, they will see better prices for their drugs.

Access for Beneficiaries in Rural and Hard-to-Serve Areas: The bill ensures access for beneficiaries in rural and hard-to-serve areas by giving the Secretary of HHS authority to provide bonus payments to rural pharmacies and the private entity serving those areas to ensure rapid delivery of prescription drugs.

Employer Incentive Program: The new Medicare benefit is voluntary, based on the principle that those who have good coverage today should be able to keep it. The bill includes incentives for employers to provide and maintain existing drug coverage.

MedPAC and GAO Studies: The bill requires the Medicare Payment Advisory Commission and the General Accounting Office to evaluate the drug benefit's impact on the pharmaceutical industry, pharmacies, beneficiary access, and out-of-pocket expenses. The studies also would provide information on the overall competitiveness and efficiency of the benefit structure and the impact of the benefit on Medicare's overall expenditures.

Coverage of Immunosuppressive Drugs: The proposal would expand existing coverage of anti-rejection drugs needed by those who have undergone transplants. Today Medicare covers immunosuppressive drugs only for a limited period following a transplant, even though a transplant operation is very expensive and transplant recipients are expected to live longer than that period of time.

Preventive Benefits: The modernization of Medicare should include a new emphasis on keeping Medicare beneficiaries well, rather than continuing to focus primarily on illness. Prescription drug coverage is an important step in this effort to modernize Medicare and focus it more on prevention. The bill requires the Institute of Medicine to conduct a study on preventive benefits and make recommendations to improve Medicare's preventive benefits. Congress would consider these recommendations on a fast-track basis.

Benefit Begins: January 1, 2002

Under Discussion: Advisory Board: *The bill will include an advisory committee to the Secretary of HHS to provide private sector and beneficiary input on how best to maximize competition and the efficiency of the benefit. The Board would serve an advisory function only.*

Q2M
or days

Have the PK

1-pg or a pg

Sach

(615) 340-3255

~~PK~~

Medicare Expansion for Needed Drugs (MEND) Act

Bill Summary

Overview: The Senate Democrats' Medicare Expansion for Needed Drugs (MEND) Act would create a universal but voluntary prescription drug benefit in the Medicare program. The benefit is designed to assist the 3 out of 5 Medicare beneficiaries who lack dependable, affordable prescription drug coverage, provide coverage for catastrophic drug costs, and give seniors bargaining power that they lack today.

Major Features of the Bill

Voluntary benefit in Medicare (Title XVIII of the Social Security Act). The bill ensures that all beneficiaries have the option of prescription drug coverage, whether they are in traditional Medicare, a Medicare+Choice plan, or a retiree health plan. Under the plan, fee-for-service Medicare would offer a drug benefit for the first time, and drug coverage under Medicare+Choice would become a stable, defined benefit. Those who have private coverage can keep it.

Premium: Beneficiaries would pay premiums that cover half the cost of the program. The government would contribute at least half the costs to ensure adequate participation and affordability. (In comparison, beneficiaries pay 25% of the cost of Part B.) Beneficiaries with income up to 135% of poverty would receive full assistance with premiums and cost sharing. Between 135 and 150% of poverty, beneficiaries would receive assistance with premiums on a sliding scale.

Benefit Design: The benefit would cover 50% of discounted drug costs up to \$5000 when fully phased in, as well as coverage for catastrophic drug costs. Beneficiaries would have access to lower, negotiated prices for drugs. The bill would ensure coverage of up-front costs in 2002 and catastrophic drug costs beginning in 2003. The proposal dedicates \$50 billion over 10 years to catastrophic coverage, and is expected to cover costs that exceed approximate out-of-pocket expenses above \$3,000 to \$4,000.

Private Sector Administration of Benefit: For beneficiaries in traditional Medicare, the benefit would be delivered by private entities (e.g., pharmaceutical benefit managers, managed care plans, pharmacy coalitions) that negotiate prices with drug manufacturers and administer the benefit, the same mechanism used by most private insurers. The private entities would compete to deliver the benefit in a specified geographic area, and would be chosen based on its cost and quality. The proposal would require that there are enough geographic regions specified (at least 15) to maintain competition. Beneficiaries in Medicare+Choice who elect Part D would receive the benefit through their +Choice plan, and the plan would receive payment to provide that benefit.

Buying Power and Lower Prices for Medicare Beneficiaries: The benefit structure uses the purchasing power of Medicare's 40 million enrollees to get the type of drug price discounts that other large, private sector buyers get. As a result, beneficiaries will not only gain coverage through the new benefit, they will see better prices for their drugs.

Access for Beneficiaries in Rural and Hard-to-Serve Areas: The bill ensures access for beneficiaries in rural and hard-to-serve areas by giving the Secretary of HHS authority to provide bonus payments to rural pharmacies and the private entity serving those areas to ensure rapid delivery of prescription drugs.

Employer Incentive Program: The new Medicare benefit is voluntary, based on the principle that those who have good coverage today should be able to keep it. The bill includes incentives for employers to provide and maintain existing drug coverage.

MedPAC and GAO Studies: The bill requires the Medicare Payment Advisory Commission and the General Accounting Office to evaluate the drug benefit's impact on the pharmaceutical industry, pharmacies, beneficiary access, and out-of-pocket expenses. The studies also would provide information on the overall competitiveness and efficiency of the benefit structure and the impact of the benefit on Medicare's overall expenditures.

Coverage of Immunosuppressive Drugs: The proposal would expand existing coverage of anti-rejection drugs needed by those who have undergone transplants. Today Medicare covers immunosuppressive drugs only for a limited period following a transplant, even though a transplant operation is very expensive and transplant recipients are expected to live longer than that period of time.

Preventive Benefits: The modernization of Medicare should include a new emphasis on keeping Medicare beneficiaries well, rather than continuing to focus primarily on illness. Prescription drug coverage is an important step in this effort to modernize Medicare and focus it more on prevention. The bill requires the Institute of Medicine to conduct a study on preventive benefits and make recommendations to improve Medicare's preventive benefits. Congress would consider these recommendations on a fast-track basis.

Benefit Begins: January 1, 2002

Senate and House Democrats Agree on Drug Benefit Proposal

Senate and House Democrats agree that Congress should enact a Medicare prescription drug benefit that is affordable, dependable, voluntary, and available for all beneficiaries. The benefit should assist Medicare beneficiaries with the high cost of prescription drugs, protect them from catastrophic drug costs, and give them greater buying power.

The proposals outlined by Senate and House Democrats include the following elements:

- A voluntary, new Part D benefit in the Medicare program.
- A drug benefit available in both fee-for-service Medicare and the Medicare+Choice program.
- Incentives for employers to provide retiree coverage and maintain existing coverage.
- Discounted drug prices as a result of privately negotiated rates.
- Assistance with at least half a beneficiary's drug costs up to \$5000, plus protection against catastrophic drug costs.
- Affordable premiums as a result of adequate government contributions (at least 50%) to the cost of the benefit.
- Low-income protections, including full coverage of cost-sharing and premiums for beneficiaries up to 135% of poverty and premium assistance for those between 135 and 150% of poverty.
- Administration through private sector entities that will negotiate prices with drug manufacturers and administer the benefit, similar to the mechanism used by most private insurers.
- Special protections to ensure beneficiaries in rural and hard-to-serve areas have adequate access and rapid delivery of prescription drugs.
- An effective date of January 1, 2002.