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HEALTH ISSUES IN THE 2000 PRESIDENTIAL ELECTION

A Comparison of Proposals

**Prepared by Health Policy Alternatives, Inc.
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PRESCRIPTION DRUG COVERAGE FOR SENIORS

Today: Medicare does not cover the costs of most outpatient prescription drugs, despite their increasingly important role in managing acute and chronic medical conditions. While nearly two-thirds of beneficiaries have some prescription drug coverage through employer retiree health plans, Medicaid, private supplemental insurance, or Medicare HMOs, some 14 million beneficiaries (35%) have no insurance coverage or assistance for medications and must pay for them out-of-pocket. Medicare beneficiaries without drug coverage fill fewer prescriptions and have higher out-of-pocket costs for their medications than those who have drug coverage. Even those beneficiaries with drug coverage may spend significant amounts out-of-pocket because of cost-sharing requirements and caps on their benefits. Moreover, prescription drug costs are escalating, jeopardizing access to needed medications for Medicare beneficiaries.

Both candidates have proposed plans to improve prescription drug coverage for people on Medicare. They differ, however, in their general approach (for example, the role of the public and private sectors), the details of the drug benefits covered under the program, and the overall level of federal spending to improve prescription drug coverage.

PRESCRIPTION DRUG COVERAGE FOR SENIORS

Comparison of Candidate Proposals — September 2000

GORE-LIEBERMAN

BUSH-CHENEY

General Approach

Adds outpatient prescription drug benefit to Medicare. Available to all beneficiaries. (Effective 2002.)

For four years prior to implementation of comprehensive Medicare reform [see page 7], provides block grants giving states the option to help low-income Medicare beneficiaries with drug costs and to assist beneficiaries whose drug costs exceed \$6,000. (Effective 2001.)

Once comprehensive Medicare reform is implemented, drug coverage would be available to all beneficiaries through a choice of private or government-sponsored plans that offer Medicare benefits, prescription drugs, and other benefits.

Beneficiary Premiums

Beneficiary pays a uniform national premium set to equal 50% of drug benefit costs.

Premiums would vary across plans. Beneficiary pays 75% of drug portion of premium; government pays 25%.

Benefits

Pays 50% of drug costs up to annual cap of \$2,000 in 2002 (\$1,000 paid by beneficiary and \$1,000 by Medicare). Amount rises to \$5,000 in 2008 (\$2,500 paid by beneficiary and \$2,500 by Medicare). No deductible.

Benefits could vary across plans consistent with government standards.

Coverage of Catastrophic Drug Expenses

Medicare would cover all out-of-pocket drug expenses above \$4,000. This amount would rise annually for inflation in drug prices.

- In first four years, states would use block grant funding to pay all beneficiary drug expenditures exceeding \$6,000.
- Once comprehensive Medicare reform is implemented, plans would have to cover out-of-pocket drug spending and other out-of-pocket medical expenses above \$6,000. No inflation adjustment specified.

Low-income Assistance

For beneficiaries with incomes below about \$11,000, Medicare pays premiums and coinsurance. For beneficiaries with incomes between about \$11,000 and \$12,500, Medicare pays premium subsidy on sliding scale. Medicaid determines eligibility for low-income assistance.

For beneficiaries with incomes below about \$11,000, government pays premiums. For beneficiaries with incomes between about \$11,000 to \$14,600, government pays premium subsidy on a sliding scale. Subsidies administered through state programs for first four years. Medicaid determines eligibility for low-income assistance.

Spending

\$338 billion over 10 years for prescription drug benefit (Congressional Budget Office estimate).

\$158 billion over 10 years (Bush campaign estimate).

- \$48 billion over four years for state block grants for assistance to low-income beneficiaries and coverage of out-of-pocket drug costs exceeding \$6,000 for all beneficiaries
- \$110 billion over 10 years for prescription drugs *and* Medicare reforms.