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Health

Medicare prescription drug law—countdown to 2006

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June 25, 2005—As it stands right now, senior citizens will have a tough choice to make in 2006. Under the new Medicare Prescription Drug, Improvement, and Modernization Act of 2003, they can either come up with a $420 annual premium, a $250 deductible, 25 percent in co-payments on the first $2,250 of costs, and $2,850 to cover the gap in the benefit known as the doughnut hole, or they can quit taking their prescription medications, period.

In about six months, when the new law goes into full effect, it is estimated that the average senior will have about $3,100 in annual prescription costs and will end up having to pay 66 percent of that amount, or $2,080. After that, seniors will have to pay 100 percent of the costs from $2,251 to $5,100.

Thanks to George W. Bush and his Republican allies in Congress, the undisputed benefactors of the new bill are the pharmaceutical companies and health maintenance organizations (HMOs). Using our senior citizens as funnels, drug makers will take in over $200 billion in new drug sales; and because the program will be administered by private companies, hundreds of billions more will go to HMOs and private insurance plans offering drug-only coverage.

The industry's preferred version of the bill that passed contains provisions that specifically bar the government from using its bargaining power to negotiate lower prices because, according to Bush, negotiating for lower prescription drug costs might constitute a monopoly. The bill also prohibits the importation of drugs from other countries because Bush says they might not be safe.

So how did the industry's version of the bill get passed? Easy answer: money. The pharmaceutical-insurance complex unleashed over 900 lobbyists to do their bidding on the legislation and spent about $141 million on lobbying in Washington in 2003.

And even that figure represents only a portion of what was actually spent. The industry is only required to report money spent on lobbying Congress, Bush, and the executive branch. Millions more were spent on other forms of lobbying through print and TV advertising, campaign contributions, direct mailings, and state level lobbying.

But since the stakes were worth over $500 billion, the industry knew an investment of a few hundred million would be money well spent. Mere chickenfeed in comparison.

2006 Will Be a Nightmare for Seniors

People need to take a closer look at the prescription drug law and see how they will be affected by the provisions in the bill. For instance, there's not been much made of the fact that the new law makes it illegal for insurance companies to provide coverage for the "$2,850 doughnut hole" for which Medicare pays nothing—$2,850 a year is a lot of money for senior citizens on fixed incomes.

This gap will become even more alarming to many seniors when they learn that they are not allowed to buy any supplemental insurance to cover it. In fact, seniors who sign up for the program and already have a policy to cover the gap will not be allowed to renew it.

How do Republicans justify these doughnut hole provisions? They claim seniors, as beneficiaries, should pay the $2,850 themselves because, "when beneficiaries are insulated from the costs, they tend to overuse medical services."

I'm sure most seniors didn't realize that the new law came with a lesson on how to budget their money so they won't "overuse" their drugs. And to think that this economics course only costs $2,850 a year.

Another little known fact is that low-income seniors will no longer be allowed to receive drug benefits from Medicaid (state insurance plans for low income people). State officials are worried because even though Medicare will now pay for far fewer drugs than state plans, the new law will bar state agencies from supplementing coverage to close the gap.

Retirees To Lose Drug Coverage From Previous Employers

When debating the new bill, Democrats had concerns that companies would cut retiree drug coverage benefits even faster than they already were. Well true to form, they have and it is becoming a very serious problem.

In the past two and a half years, 13 percent of large employers terminated drug coverage benefits for future retirees, and 22 percent more say they are likely to in the future. The Congressional Budget Office (CBO) estimates that 23 percent of the nearly 12 million retirees with employer coverage will lose it when the new Medicare program goes into effect.

But here again, thanks to Bush, there is no incentive to provide coverage. According to the Wall Street Journal (WSJ), Bush and his allies in Congress added a provision to the new bill that rewards companies with a tax subsidy even if they reduce retirees' drug coverage.

In effect, it creates a financial incentive to reduce retiree benefits and allows some companies to get subsidies even if they shift part of the cost to retirees.

The WSJ says the provision was pushed into the law by the industry front group, Employers' Coalition on Medicare, which just happens to be made up of a group of corporations that gave Bush and the RNC more than $47 million since 2000.

Of the large corporations that will benefit from this provision, 10 have either tried to slash retiree coverage benefits in the past, or are trying to slash them now. They include 3M, Verizon, AT&T, IBM, GM, Daimler Chrysler, Bank of America. These 10 companies alone gave more than $17 million to Bush and Republican members of Congress.

How much profit will these companies make off their $17 million investment? Plenty. For instance, GM estimates the provision will save the company $4 billion on the overall future cost of retiree care.

In March 2004, SBC Communications revealed that it would begin charging retirees monthly premiums and higher fees to save between $300 and $600 million a year. About 90,000 SBC retirees will now pay more for health care coverage.

So how much did SBC spend to get the provision passed? $4,087,981 since 2000.

Verizon will also save a fortune. It expects to shave retiree costs by $1.3 billion. So how much did Verizon wager? Its contributions totaled $3,882,181, In addition, the situation looks even worse for future retirees. According to a study by the Kaiser Family Foundation, that out of 408 companies surveyed, 71 percent now require retirees to pay more in premiums, nearly 10 percent have eliminated the coverage benefit altogether, and 20 percent said they will probably eliminate it by 2007.

2006 Almost Here

Six months from now when 2006 arrives, I urge seniors to remember to be grateful to Bush for including the provisions that made sure the government didn't enter into a monopoly by negotiating affordable drug prices and didn't allow the importation of unsafe drugs from other countries.

And, they should be especially grateful for the provision that made sure that they didn't frivolously "overuse" their medications for high blood pressure, lowering cholesterol, and controlling diabetes.

Evelyn Pringle is a columnist for Independent Media TV and an investigative journalist focused on exposing corruption