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A Prescription for Disaster

The Argument Against a Universal Drug Benefit in Medicare

Washington, Jun 15, 2003 - By Rep. Mike Pence

As Congress considers the largest expansion of Medicare in 35 years, it should remember that Medicare has cost the American taxpayer seven-and-a-half times what it was projected to cost when it was created in the 1960's. As Nancy-Ann DeParle, President Clinton's Medicare administrator, said, this would be "the biggest expansion of government health benefits since the Great Society." With an annual federal deficit of more than $400 billion, I will support the creation of a national prescription drug plan only if it's fiscally responsible and includes free market Medicare reform measures.

A Vision for Reforming Medicare

Only by significantly reforming Medicare along the lines the President originally intended can we afford to meet future obligations, including a prescription drug benefit. President Bush called for comprehensive Medicare reform that would be based upon creating a system similar to the Federal Employees Health Benefits Program (FEHBP), which covers Members of Congress, federal workers and retirees. The current FEHBP system offers a wide variety of benefit and plan choices, and all have prescription coverage integrated into competing plans. Private sector insurance and consumer choice are the hallmarks of this system.

Some Seniors Need Prescription Coverage

Of course, there are seniors near the poverty level who need immediate help with the cost of

prescription drugs. As I have witnessed in more than 100 town hall meetings across eastern Indiana, the necessity of some prescription assistance for seniors near the poverty level is beyond dispute. Statistics show that nearly 24 percent of seniors have no prescription drug coverage and approximately 5 percent of seniors have out-of-pocket prescription costs of more than $4,000 per year. For these seniors, our national government should respond with a drug discount card or some form of means-tested direct subsidy. I have and will continue to support efforts at the national level to focus prescription assistance on seniors struggling near the poverty level.

Sadly, prescription drug plans currently being advanced in the House and Senate lack such focus and actually create a universal drug benefit that provides a government entitlement for every American over the age of 65, a population of some 37 million today that will grow to 70 million by the year 2030.

Most Seniors Already Have Prescription Coverage

While the need for some type of benefit is real, the need for a universal benefit is not. At present, 76 percent of seniors have some form of prescription drug coverage, and the average senior spends less than $999 per year in out-of-pocket expenses on medications. That's why I supported a prescription drug plan in 2002 that put particular emphasis on assisting those near the poverty level but avoided creating a universal benefit by phasing out cost sharing at the $1,000 level. Under the bill we considered last year, the government would have paid 80 percent of costs on the first $1,000 of drug costs and 50 percent on the next $1,000 for seniors who pay a monthly premium of $35 and meet a $250 yearly deductible.

Unintended Consequences of a Universal Drug Benefit

Not only is the need for a universal public subsidy questionable, adding a universal drug benefit to Medicare may have certain unintended consequences. Namely, seniors with private coverage from a former employer may actually lose their coverage. While Medicaid and private Medigap plans play a large role in prescription coverage, one-third of seniors enjoy employer-based prescription benefits as part of their retirement plans. According to recent Congressional Budget Office estimates, 37 percent of all retirees with employer-based coverage would lose it under the Senate plan, 32 percent would lose that part of their retirement under the House plan. A recent analyst's report estimated that General Motors, a company with thousands of retirees in eastern Indiana, could unload 1.4 billion in unfunded retirement

liabilities by ending its prescription benefit to retirees. By creating a universal drug benefit, Congress could inadvertently force thousands of Hoosier automotive retirees out of their current prescription drug plan and onto a Medicare plan.

The final, and most ominous, consequence of a universal drug benefit could be that it will usher in the beginning of socialized medicine in America. This type of system, which is built on unrealistic fiscal projections and incorrect assumptions about human behavior, will invariably lead to the kinds of escalating costs for which price controls and outright government management will be seen as the last resort. As evidence of this potential, Senator Ted Kennedy, a long-term advocate of socialized medicine, pledged his support for the Senate drug plan, openly promising to "expand it over a period of time." Given this, The Wall Street Journal called the planned legislation "a giant step toward Canadian health care."

The consequences of such a government expansion are moral as well. In a society that sanctions the abortion of unborn human life and is increasingly open to euthanasia and physician-assisted suicide, our values and our freedoms would argue against turning the health of the American people over to the federal government.

Compassionate conservatism is about focusing solutions at the point of the need. Let's help our seniors near the poverty level with urgent and sufficient prescription coverage. Let's reform Medicare so it will be there for the future without placing an undue burden on our children and grandchildren. And let's otherwise "do no harm" to the private sector foundation of the greatest healthcare system in the history of the world. For all these reasons, I oppose a universal drug benefit in Medicare. By agreeing to a prescription benefit for all seniors rather than those in need, Congress threatens our nation's fiscal stability, the private prescription plans millions of seniors and the survival of our free market healthcare system. One more massive federal entitlement is, simply put, a prescription for disaster.

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