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The Medicaid bill's failures

Wednesday, November 26, 2003

Many of those who voted for the new Medicare bill held their noses and said this was the best our country could do.

If they are right, shame on all of us. The more you understand what is in those 1,100 pages of rushed-through legislation, the worse it looks. It is weighted heavily toward firms in the scandal-wracked private health business and toward the most generous of campaign contributors, who are frequently the same people.

The new program -- which will not kick in for several years, well past the next presidential election -- provides good benefits to low-income seniors but sets an unrealistic limit on the assets they are allowed to have. Those limits alone will kick millions of people out of that category and deny them benefits.

The legislation comes with an unfair geographical shift in the way Medicare pays hospitals, one that reflects the priorities of Congress and its Republican majority. New Jersey operates in a high-cost region and cares for 3 percent of all Medicare clients, one of the largest shares among the states. Yet hospitals in Louisiana, with far fewer elderly patients, will get four times what the typical New Jersey hospital will be paid by Medicare.

The rest of the coverage is full of holes. But the worst may not show up until 2006 when the prescription benefit kicks in. Private managed care plans will be the conduit for the benefit, and Congress has left design details (which drugs will be covered and the size of co-payments for filling prescriptions) to the insurance companies.

The Medicare bill also offers these companies a wholly unwarranted \$12 billion in federal subsidies over and above their regular fees to "persuade" them to insure the elderly, enough to make any comparison to Medicare itself ridiculous and the argument for privatization unconvincing. The full bill includes at least \$125 billion over the next 10 years for the health care industry and other businesses, not for seniors.

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The insurance industry is a clear winner over the elderly but still a runner-up to the pharmaceutical drug makers, who got everything they wanted.

The pharmaceuticals did not want Medicare running the prescription benefit or using the free-enterprise bargaining might of 43 million Medicare recipients to negotiate for the best drug prices. So much for Senate Majority Leader Bill Frist's mantra about how this bill would apply "market discipline."

Negotiated prices would have been the simplest, most inexpensive and therefore best way to provide the benefit. But drug makers lobbied against the best idea, knowing they will do better by bargaining with many different private insurers.

Sen. Jon Corzine was among those who fought hard for something better. In the Senate's first Medicare bill, Corzine's amendment would have continued New Jersey's unique Pharmaceutical Assistance to the Aged and Disabled program pretty much as it is now but with a big infusion of federal Medicare money. The savings would have allowed the state to expand drug coverage to more people.

We will save about \$200 million of the \$400 million the state now spends on PAAD and its companion programs. But the compromise bill forces New Jersey PAAD clients into managed care plans, making them vulnerable to many of the other negatives and uncertainties in this plan. The state might need a good chunk of those savings just to maintain the level of benefits PAAD recipients have been getting all along.

For those who swallowed the argument that it would be better to pass the bill now and fix it later, as the AARP did, there is plenty to fix.

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