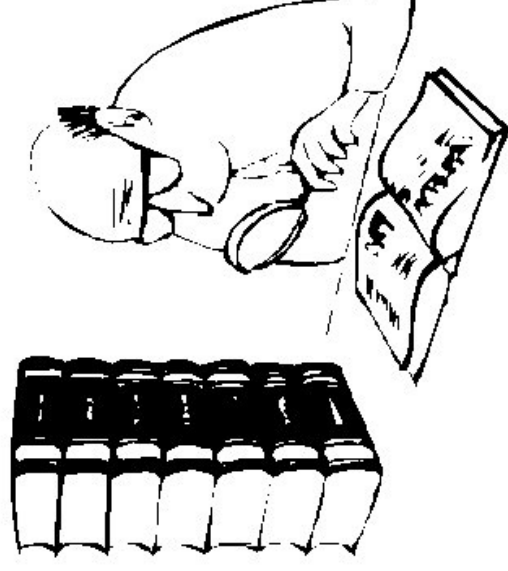


# What does the bill actually deliver?

The Republican plan:

- Requires seniors to pay **\$4,020** of the first \$5,100 for prescriptions
- Will result in the loss of drug coverage for 2.7 of the 12 million retirees who currently have coverage
- Does nothing to lower drug prices



# Which plan would you prefer?

## Republican Plan

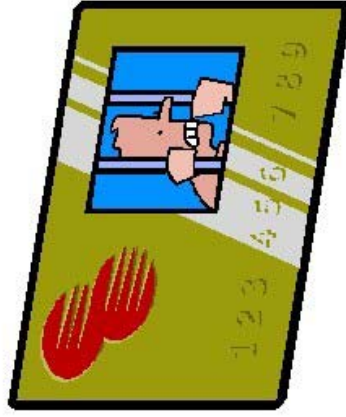


- Premium: **\$35/month**
- Deductible: **\$250/year**
- Seniors pay **\$4,020** of first \$5,100 in drug costs
- Leaves seniors at the mercy of private insurers
- Keeps drug costs high

## Democratic Plan



- Premium: **\$25/month**
- Deductible: **\$100/year**
- Seniors pay **\$780** of first \$5,100 in drug costs
- Maintains traditional Medicare
- Negotiates lower drug prices



# Discount Drug Card Program

- Available June 1, 2004
- Seniors may purchase one card for \$30/year
- Drug card sponsors must provide a discount for one drug in each of 200 categories of drugs
- While seniors are locked into a single card for a year, card sponsors may change the price and the drugs on their discount list every seven days
- Drug card sponsors are not required to notify seniors of these changes

## Comparison of Medicare Prescription Drug Benefit Proposals

Provision	H.R. 1, House Republican Bill	S. 1, Senate Bill	Final Bill, as signed into law on 12/08/03	H. R. 1199, House Democratic Bill
<b>Provider</b>	Drug benefit provided by private companies	Drug benefit provided by private companies with a Medicare “fallback”	Drug benefit provided by private companies with a “fallback”	Drug benefit provided through Medicare, like all other Medicare benefits
<b>Premium</b>	\$35/month	\$35/month	\$35/month (average, not established in law, would vary across the country.)	\$25/month
<b>Deductible</b>	\$250/year	\$275/year	\$250/year	\$100/year
<b>Prescription Drug Benefit and the Cost to Seniors</b>	<ul style="list-style-type: none"> <li>• <b>Medicare pays 80% of first \$2,000</b> in drug costs, beneficiary pays 20%</li> <li>• <b>Medicare pays \$0</b> of drug costs between \$2,001 and \$4,900. This is the “donut hole” and would impact 47% of seniors</li> <li>• <b>Catastrophic cap.</b> Medicare pays 100% above \$4,900 in drug costs. Wealthier seniors would have a higher catastrophic cap, as much as \$13,200 for the highest-income</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Medicare pays 50% of first \$4,500</b> in drug costs, beneficiary pays 50%</li> <li>• <b>Medicare pays \$0</b> of drug costs between \$4,500 and \$5,813. This is the “donut hole” and would impact 12% of seniors</li> <li>• <b>Purported catastrophic cap.</b> Medicare pays 90% of costs above \$5,813. Beneficiary would continue to pay 10% of drug costs. All seniors would have the same catastrophic cap, regardless of income</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Medicare pays 75% of first \$2,250</b> in drug costs, beneficiary pays 25%</li> <li>• <b>Medicare pays \$0</b> of drug costs between \$2,250 and \$5,100. This is the “donut hole” and would impact about 45% of seniors</li> <li>• <b>Purported catastrophic cap.</b> Medicare pays 95% of costs above \$5,100. Beneficiary would continue to pay 5% of drug costs.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Medicare pays 80% of first \$2,000</b> in drug costs, beneficiary pays 20%</li> <li>• <b>Medicare pays 100%.</b> There is no “donut hole”</li> <li>• <b>Catastrophic cap.</b> Medicare pays 100% of drug costs above \$2,000. All seniors would have the same catastrophic cap, regardless of income</li> </ul>

**HOW BIG IS THE DONUT HOLE?  
CALCULATION OF SPENDING NEEDED  
TO TRIGGER SECOND-TIER (NEAR-CATASTROPHIC) COVERAGE**

***Beneficiary Spending Under Initial Coverage Limit - Senior pays 25%, plan pays 75%***

\$250	deductible
<u>+ \$500</u>	25% of drug spending between \$251 and \$2,250
\$750	beneficiary out-of-pocket spending (not including \$35/month premium) for \$2,250 worth of prescription drugs

***Drug Spending Needed to Reach the Second-Tier Limit or Near-Catastrophic Coverage***

\$3600	trigger in out-of-pocket spending for Second-Tier coverage
<u>-\$750</u>	amount already spent under initial benefit limit
\$2850	amount of remaining out-of-pocket spending needed to reach trigger

***The Gap/Donut Hole***

Thus, the "gap" or "donut" is the \$2850 in spending after the initial \$2250 benefit limit and before \$3600 out of pocket trigger is reached

***Total Drug Spending Needed to Trigger Second Tier Coverage***

\$2250	total drug spending under initial benefit limit (pre-"donut")
<u>\$2850</u>	beneficiary out-of-pocket spending during the "donut"
\$5100	total drug spending to get to second-tier or near-catastrophic coverage

So, if a senior has \$5100 in drug costs per year, they would pay:

\$750	amount spent under initial benefit limit
\$2850	cost to senior in the donut hole
<u>\$420</u>	\$35 x 12 in monthly premiums
\$4,020	Total cost to senior to receive \$5,100 in drugs in one year

***Catastrophic Cap***

For any costs above the \$3,600 in out of pocket spending or \$5,100 in total drug costs the senior continues to pay 5% of the cost.

## Medicare Prescription Drug Act Prescription Drug Examples

(1) A senior with \$2,250 in drug costs in a year will pay:

\$420 in premiums (\$35 each month x 12)  
\$250 deductible  
\$500 which is 25% of drug costs from \$251 to \$2,250

Senior's cost: \$1,170 for \$2,250 in drugs.

This senior pays more than 50% of their drug costs.

(2) Now, consider the senior whose drug costs fall above \$2,250 and are therefore in the "donut hole" where the senior must pay 100% of the cost.

Let's say this senior has \$3,500 in annual drug costs. This does not exceed the \$5,100 total drug cost threshold necessary to trigger the near-catastrophic coverage. They will pay:

\$1,170 for the first \$2,250, as noted above  
\$1,250 which is 100% of the difference between \$2,250 and \$3,500

Senior's cost: \$2,420 for \$3,500 in drugs.

This senior pays 70% of the cost.

(3) A senior with \$5,500 in drug costs each year would reach the near-catastrophic trigger because they have total drug costs above \$5,100. They will pay:

\$1,170 for the first \$2,250 as noted above  
\$2,850 for 100% of cost in the donut hole ( $\$5,100 - \$2,250 = \$2,850$ )  
\$20.00 which is 5% of \$400 (the difference between \$5,100 and \$5,500)

Senior's cost: \$4,040 for \$5,500 worth of drugs

This senior pays 74% of the cost.

- CBO estimates that in 2006 when the drug benefit begins, on average, seniors will spend \$3,155 on drugs, placing them squarely in the donut hole
- According to the Kaiser Family Foundation, almost 40% of Medicare beneficiaries spent more than \$2,000 on drugs in 2002
- According to the Kaiser Family Foundation, 14% of Medicare beneficiaries spent more than \$4,000 on drugs in 2002