

Advertisement

Medicare Law's Costs and Benefits Are Elusive

By **ROBERT PEAR**

Published: December 9, 2003

WASHINGTON, Dec. 8 — Now that President Bush has signed a land- mark bill adding drug benefits to Medicare, an overriding question re- mains: how well will it work?

Despite Mr. Bush's prediction that most elderly people would benefit from the new law, federal health officials said they faced immense challenges in meeting the high expectations of Medicare beneficiaries.

"In return for a monthly premium of about \$35, most seniors without any prescription-drug coverage can now expect to see their current drug bills cut roughly in half," Mr. Bush said in signing the bill Monday.

But no one knows whether the legislation will work as intended.

The new drug benefit will be offered and managed by private insurers and health plans, under contract with the government. The legislation defines a standard drug benefit, but insurers could vary it.

So Medicare beneficiaries could face a dizzying array of options — or perhaps very few, depending on where they live. A major question is whether insurance companies will offer policies covering drug costs and nothing else. Such stand-alone drug coverage is virtually nonexistent.


"Seniors are fully capable of making health care choices, and this bill

ARTICLE TOOLS

-  [E-Mail This Article](#)
-  [Printer-Friendly Format](#)
-  [Most E-Mailed Articles](#)
-  [Reprints & Permissions](#)
-  [Single-Page Format](#)

MULTIMEDIA

 [Chart: Deciphering the Drug Benefit](#)

 [Video: Page One: Tuesday, Dec. 9, 2003](#)

READERS' OPINIONS

[Forum: Join a Discussion on Health Care Reform](#)

TIMES NEWS TRACKER

Topics Alerts

[Bush, George W](#)

[Drugs \(Pharmaceuticals\)](#)

[Medicare](#)

[Health Insurance](#)

- › Create Your Own
- › Manage
- › Most Popular Alerts
- › Take a Tour

[CLICK HERE TO SUBSCRIBE](#) 

Panasonic ideas for life

introducing the **D-snap** digital video camera



snap it up now 

D-snap



snap it up now 

D-snap

world's smallest DVD quality MPEG2 SD video camera



SV-RV100 digital video camera

allows them to do just that," Mr. Bush said in signing the bill.

But at least 10 percent of elderly Medicare beneficiaries have Alzheimer's or other types of dementia that would make it difficult for them to understand the options, said Stephen R. McConnell, senior vice president of the Alzheimer's Association.

Lawmakers and health policy experts raised many other questions as well: Will elderly people sign up for the new drug benefit? Can insurers secure big discounts in negotiations with drug manufacturers? Will increased federal payments lure private health plans into the Medicare market? Will competition among health plans save money for Medicare? Or will private plans cost more than traditional Medicare? Will employers scale back health benefits for retirees, knowing they can get a basic drug benefit from Medicare?

About 14 million people with low incomes, 35 percent of Medicare beneficiaries, will qualify for extra assistance under the bill. But federal and state officials said they would have to make enormous efforts to enroll all those eligible for such subsidies.

The new drug benefit becomes available in 2006. But Medicare recipients should see the first effects of the bill next June, when they can purchase government-approved discount cards for use at retail pharmacies.

Mr. Bush said the cards "will deliver savings of 10 to 25 percent off the retail price of most medicines." Studies by the General Accounting Office and other independent experts suggest that the savings will be closer to the low end of that range.

In signing the bill, Mr. Bush gave three examples of people who would benefit. The savings claimed by Mr. Bush are all possible, in theory. But he made a significant unstated assumption in each case: that insurers and health plans would be able to knock 15 percent to 20 percent off retail drug prices, through negotiations with manufacturers and pharmacies.

Stephen E. Littlejohn, vice president of Express Scripts, which manages drug benefits for many employers and health plans, said that assumption was reasonable. He said his company, based in St. Louis, typically delivered savings of 25 percent, with a further saving of 5 percent for people who fill prescriptions by mail.


If Medicare beneficiaries do not receive drug discounts comparable to those reported by Express Scripts, Congress could empower the government itself to negotiate with drug companies.

To illustrate how the new benefit would work, Mr. Bush described the case of Mary Jane Jones of Midlothian, Va.

"Her drug bills total nearly \$500 a month," the president said. "Things got so tight for a while she had to use needles twice or three times for her insulin shots. With this law, Mary Jane won't have to go to such extremes. In exchange for a monthly premium of about \$35,



NYT Store
NYT Guide to Alternative Health: A Consumer Reference
[Price: \\$16. Learn More.](#)

The image shows the front cover of a book titled "The New York Times Guide to Alternative Health: A Consumer Reference". The cover features a yellow and green color scheme with the title in a bold, serif font. There are several smaller text elements and a small image on the cover, but they are not clearly legible.

[Darien, CT](#)
This majestic brick Georgian home is situated on 6.43 acres.
[Search](#) for this and many other homes in Connecticut at realestate.nytimes.com.

Mary Jane Jones would save nearly \$2,700 in annual prescription drug spending."

Continued

[Get home delivery of The Times from \\$2.90/week](#)

1 | [2](#) | [Next>>](#)

RELATED ARTICLES

- [Bush Signs Law to Cover Drugs for the Elderly](#) (December 9, 2003)
[A FINAL PUSH IN CONGRESS: THE OVERVIEW; SWEEPING](#)
- [MEDICARE CHANGE WINS APPROVAL IN CONGRESS; PRESIDENT CLAIMS A VICTORY](#) (November 26, 2003) \$
[A FINAL PUSH IN CONGRESS: NEWS ANALYSIS; An Imperfect](#)
- [Compromise](#) (November 25, 2003) \$
[A FINAL PUSH IN CONGRESS: THE OVERVIEW; SENATE](#)
- [REMOVES TWO ROADBLOCKS TO DRUG BENEFIT](#) (November 25, 2003) \$
[Congressional Memo: Spending Discipline Proves Unfashionable This](#)
- [Year](#) (November 25, 2003) \$

Find more results for [Bush, George W](#) and [Drugs \(Pharmaceuticals\)](#)

TOP WASHINGTON ARTICLES

- [Medicare Law's Costs and Benefits Are Elusive](#)
 - [House Votes, Fights and Then Adjourns](#)
 - [Lawmaker Guilty of Manslaughter](#)
 - [Man on Death Row 24 Years Seems to Gain Before Justices](#)
- Go to [Washington](#)

OUR ADVERTISERS

[Free 3-5 Day Shipping w/ Dell PCs. Details.](#)

[Portfolio Strategist](#)
[Get Our Free Report](#)

[3 Stocks We Love & 5 We Don't - Free!](#)