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THE NATION

# Medicare Drug Benefit Plan to Far Exceed Cost Estimate

■ The revised \$534-billion price tag is expected to renew debate over the landmark legislation.

By Vicki Kemper, Times Staff Writer

WASHINGTON — The Medicare overhaul that gave a prescription drug benefit to seniors will cost at least \$134 billion more than the \$400-billion price tag President Bush and Congress agreed to last year, administration officials and congressional aides said Thursday.

The officials, who spoke on the condition of anonymity, said the revised estimate was the product of calculations completed after Bush signed the measure into law last month.

Liberals and conservatives who opposed the bill during debates in Congress are likely to renew their arguments in light of the higher cost.

Conservatives said that the legislation, even at \$400 billion over 10 years, was too expensive in an era of rising deficits.

Liberals said the bill gave too much money to private corporations, in part because of a provision for payments to insurance companies to encourage them to offer affordable policies to seniors.

The bill passed the Senate largely along party lines.

Republicans and Democrats have begun using the new law as an issue in this year's election campaign, and Thursday's new cost estimates immediately fanned the partisan rhetoric.

"The news on the Republican Medicare bill gets better and better for drug company profits and HMOs, and worse and worse for seniors and the Medicare program," said Sen. Edward M. Kennedy (D-Mass.), one of the law's strongest opponents.

Chad Kolton, spokesman for the Office of Management and Budget, said the new cost estimates would do nothing to temper Bush's support for the law.

"The president made a commitment to help seniors with their prescription drug costs and to modernize Medicare, and that's what he achieved by signing this bill," Kolton said.

Asked to explain the difference in cost projections for the law, administration officials said Thursday that discrepancies between the administration's figures and those produced by the nonpartisan Congressional Budget Office "are not unusual."

Throughout negotiations on the bill, number-crunchers from the administration and the budget office disagreed over how many seniors would leave traditional Medicare to join HMOs and other managed-care

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plans.

The CBO estimated that 10% to 12% of seniors would join a healthcare network, while actuaries at the Centers for Medicaid and Medicare Services predicted that government-subsidized premiums would entice more than one-third to move into managed care.

"This is two different groups of people trying to predict what tens of millions of seniors will do," said another official.

House and Senate negotiators struggled for months last fall to produce a compromise that would cost no more than \$400 billion, the spending ceiling Bush had set for the program.

To stay within that limit, lawmakers created a prescription drug benefit with a hole in it. In addition to paying a premium pegged at \$35 a month and satisfying a \$250 deductible, most seniors who take up the voluntary benefit would have to pay 25% of their annual drug costs up to \$2,250 but 100% of additional costs up to \$5,100.

The plan covers 95% of drug costs above \$5,100.

Low-income seniors have more generous benefits.

The law overhauled the entire Medicare program, turning over to private insurance companies much of the business of providing healthcare benefits to more than 40 million seniors and disabled people.

Many conservative Republican lawmakers decried what they viewed as a major expansion of a government program, and warned that the actual spending would far exceed \$400 billion.

In the end, the bill barely squeaked through the House.

A three-hour roll call ended with passage only after Bush, awakened from his sleep, called two Republican lawmakers and persuaded them to switch their votes.

"No one vote has caused me more angst in my short political career," Rep. Jeb Hensarling (R-Texas) said. "I hope this will embolden conservatives and others" to control spending, he added.

Hensarling was among several conservatives who voted for the measure after being told by Bush, House Speaker J. Dennis Hastert (R-Ill.) and others that the costs should fall within the Congressional Budget Office estimate.

Rep. John B. Shadegg (R-Ariz.), a conservative who voted against the bill, said he never believed the cost estimate because such long-term forecasts are "meaningless."

Democratic lawmakers have already introduced legislation to revise key parts of the Medicare law.

They are particularly eager to repeal a provision that bars the federal government from negotiating directly with drug companies to lower prices, as well as a prohibition on U.S. citizens buying prescription drugs in Canada.

The seniors group AARP, whose support was instrumental in passing the law, has said it also will work to improve the drug benefit and encourage drug manufacturers to lower prices.

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