

STATEMENT OF SENATOR MAX BAUCUS
MEDICARE DRUG CARD: DELIVERING SAVINGS FOR BENEFICIARIES
June 8, 2004

Thank you, Mr. Chairman. This is the first of what I hope will be many Finance Committee hearings on implementation of the 2003 Medicare bill. And Dr. McClellan, welcome to your first hearing before the Finance Committee since becoming CMS Administrator.

The discount card program was intended to be a temporary, stop-gap measure. It was intended to give Medicare beneficiaries some relief from high and rising prescription drug prices between now and 2006, when the new Part D benefit starts. And it was also intended to ensure that the neediest seniors with low-incomes and no existing coverage receive meaningful assistance during the transition to the Part D benefit.

The discount card program was part of last year's Medicare bill, but it was not a high priority for many in Congress.

Instead, the Administration designed the drug card. The Administration promoted it. And the Administration even published regulations to implement a drug card program before the 2003 Medicare law was enacted. But the courts prevented CMS from implementing its early version of the drug card program without statutory authority.

Congress enacted the drug card based on the Administration's framework. But the Administration's struggles with the drug card have continued.

- The Medicare-dot-gov web site has often failed to provide correct and consistent information. And about 85 percent of low-income seniors lack internet access.
- Wait times on 1-800-MEDICARE have been long;
- And enrollment in the program has lagged. The vast majority of participants have come from managed care plans – where beneficiaries are automatically enrolled.

But in my view, the main problem – and the root cause of many other problems – is that there are simply too many drug card options.

Some argue that choice is good. Choice is liberating, empowering. I hear this again and again.

I don't oppose choice. I believe in choice.

But I believe in meaningful choice – not choice for the sake of ideology. This drug card program has elevated the ideology of choice over the best interests of Medicare beneficiaries.

The sheer number of discount cards has made the enrollment process daunting, confusing, and downright unattractive to many beneficiaries. Consider that there are 39 national drug discount card options. And in Montana, beneficiaries can choose among 41 cards.

Forty-one cards, valid at different pharmacies.

Forty-one cards, with different enrollment fees.

Forty-one cards, covering different drugs at different prices.

Mr. Chairman, Congress aimed to provide the drug card as a bridge to temporary savings – not a bridge to frustration and confusion.

Most in this room could not sort through so many options on so many different dimensions and feel good about the choice they make.

Indeed, as psychologist Barry Schwartz has pointed out, “Increased choice can lead to a decrease in satisfaction... Too many options can result in paralysis, not liberation.”

For example, a study on mutual funds found that as the number of funds in a 401(k) plan offered to employees increases, the likelihood that employees will choose a fund — any fund — goes down. According to the study, for every 10 funds added to an array of options, the participation rate drops 2 percent.

Drug cards are not the same as mutual funds. But a recent study using focus groups confirm these findings. The study found significant apprehension among seniors about investigating and choosing among such a large array of drug card options.

And as a supporter of the 2003 Medicare bill, I am concerned that this paralysis may extend to the actual drug benefit when it is offered in 2006.

The law gives CMS plenty of authority to reject cards. The agency is by no means required to take all comers. But that is apparently what they have done. In fact, they went out of their way to increase the number of participating sponsors – even after they had more than two dozen already signed up.

I am concerned that beneficiaries who don’t sign up now for the drug card will be less likely to enroll in the Part D benefit when it becomes available. They may refuse to enter the proverbial Part D drugstore altogether.

I hope that is not the case. While the 2003 Medicare benefit is not perfect, it is a solid start. I was glad it passed, and I remain an ardent supporter of the bill. But the drug card experience so far has not inspired confidence that CMS will be able to implement the Part D benefit successfully.

I would like to be convinced that I am wrong, for the sake of beneficiaries.

Thank you, Mr. Chairman. I look forward to hearing from our witnesses.