



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Sen. Chuck Grassley
Hearing, "Implementing the Medicare Prescription Drug Benefit and Medicare Advantage
Program: Perspectives on the Proposed Rules"
Tuesday, September 14, 2004

Today's hearing is on the proposed rules issued last month by the Centers for Medicare and Medicaid Services (CMS) to implement the prescription drug benefit and Medicare Advantage program established by the Medicare Modernization Act (MMA). Last year, members from both sides of the aisle devoted countless hours to make the prescription drug benefit and improved program a reality -- rather than wishful thinking -- for the forty million seniors and Americans with disabilities who depend on Medicare. After years of promising to get it done, last year we finally did it. For the first time, Medicare will offer a voluntary prescription drug benefit to all seniors in 2006. Beneficiaries also will have more coverage choices.

And if beneficiaries like the coverage they have, they can keep it. A number of beneficiaries told me that they are completely satisfied with their Medicare. They want to stay in fee-for-service Medicare, which is fine. In fact, Congress in the MMA took steps to make sure that beneficiaries across the nation have good access to physician services in fee-for-service. We had been hearing over the past few years that beneficiaries were finding it harder and harder to find a doctor who would see Medicare patients. The 4.5 percent physician payment cut that would have gone into effect next year would have made that situation worse. Both Republicans and Democrats worked to prevent the payment cut because if beneficiaries can't find a doctor, Medicare benefits would be meaningless.

We are here today because the Centers for Medicare and Medicaid Services have issued the proposed rules for implementing the new drug benefit and the expanded Medicare coverage options. These proposed rules bring the nation's Medicare beneficiaries an important step closer to having a much-needed, affordable prescription drug benefit and new coverage choices. Plain and simple, Medicare has crossed another milestone. Under the proposed rule, about one-third of all Medicare beneficiaries will be eligible for low-income assistance, meaning they'll have a drug benefit with no gap in coverage, and limited or no premiums, deductibles, or cost-sharing. For these beneficiaries, the drug benefit will cover as much as 85 to 98 percent of their drug costs.

Now one area that we will hear about today is the retiree drug subsidy. Employers provide coverage on a voluntary basis, and it is sorely evident that they are finding it harder and harder to do so. From 1991, long before the MMA's enactment, the number of large employers offering health coverage to their retirees dropped nearly 25 percent from 80 percent to 61 percent in 2003. The MMA sought to stem this alarming trend by providing \$89 billion in direct subsidies and tax benefits

to protect retiree health coverage. This funding makes it more likely, not less likely, that employers will continue their retiree benefits. At the same time, I want to ensure that the direct subsidy and tax benefits provided are monitored closely. We must ensure that we maintain the utmost level of integrity in the implementation of this provision. Both the Department of Justice and the Department of Health and Human Services' Office of the Inspector General have expressed strong concerns with regard to this provision. Therefore, ensuring that only those employers who actually continue retiree health coverage receive the subsidy will be critical.

Another issue that I'm sure we'll hear about is the region size for the Medicare Advantage Regional Preferred Provider Organizations. PPOs are among the most popular coverage options for other Americans — about half of Americans with private insurance are enrolled in a PPO — but private plan options are not widely available to Medicare beneficiaries. Where private plans are available, they're very popular. Iowa beneficiaries who've joined a plan have told me that they like their plan. The Medicare Advantage Regional Plans will give beneficiaries more coverage choices by requiring plans to serve both urban and rural areas. Beneficiaries deserve choices between regular Medicare and other options that can offer them better coordinated care and additional benefits, such as 24-hour consulting nurse services. These services can be very valuable, particularly for beneficiaries with chronic conditions.

Congress also included numerous beneficiary protections in the new drug benefit. Rules and requirements about prescription drug formularies are among the most important protections because beneficiaries must be assured they can get coverage for the drugs they need. The United States Pharmacopeia has developed draft model guidelines for drug classes and categories to provide a framework for plan drug formularies. And CMS has additional oversight authority to make sure that plans do not use particular formulary designs to game the system by discouraging sicker people from enrolling. Again, I know that issues related to formulary design have engendered serious debate. And I'm looking forward to hearing our witnesses' perspectives on USP's draft guidelines and the proposed rules.

And by the way Dr. McClellan — I want to recognize you and your staff for your dedication and effort. CMS faced an enormous task in developing these proposed rules. You just took the helm at CMS a few months ago, and under your leadership, CMS has tackled this enormous task with gusto and deserves credit for issuing the proposed rules in just under eight months after President Bush signed the MMA into law. That is an incredible accomplishment and you and your staff deserve our thanks for your dedication and hard work.

Now today, I am looking forward to an informative and insightful hearing. Of course, it is the political season and some may not be able to pass up the opportunity to take political pot-shots today. It is always much easier to tear something down, than it is to build something up. At the June drug card hearing, I quoted Bob Ball, former Commissioner of Social Security, who was involved in getting Medicare up and running. He said, "To a remarkable degree, opponents as well as supporters [of Medicare] tried hard to be helpful." Those words so relevant nearly 40 years ago are equally relevant today. I look forward to hearing from all our witnesses and to having a productive hearing.