

**Senator Max Baucus**  
**Principles on Medicare Reform and Prescription Drugs**  
**January 23, 2003**

Senator Max Baucus today unveiled his principles for successful reform of Medicare, including the addition of a comprehensive prescription drug benefit.

**Medicare Reform**

Currently, over 40 million Americans depend on Medicare to meet their health care needs. With the growing number of baby boomers retirees, the number of Medicare beneficiaries is expected to double over the next thirty years. It is vital that Congress take action now to maintain access to affordable, high quality health care for seniors and disabled people on Medicare -- today and in the years to come.

Senator Baucus today announced that he will **not** support a Medicare reform plan that is based on a “premium support” model. Under this program, rural seniors and those with chronic conditions could be disadvantaged under Medicare due to limited access to private plans or risk selection by plans. Baucus also announced he would not support reform efforts that would coerce beneficiaries into managed care or private plans through policies providing enhanced benefits or lower premiums.

Instead, Baucus has proposed a number of initiatives for Medicare reform:

1. The traditional fee-for-service program should be improved and strengthened;
2. Reform proposals must take into account the needs of the chronically ill and focus on disease management efforts that reduce costs and improve health care;
3. Medicare payment systems should provide incentives to promote and reward high quality care;
4. Medicare administration policies need to be streamlined along the lines of bipartisan regulatory relief legislation introduced in the last Congress;
5. The long term solvency of Medicare should be openly debated and honestly addressed during the ongoing Medicare reform discussions.

**Prescription Drug Coverage Under Medicare**

Congress is expected to continue the debate over prescription drug coverage under Medicare during overall Medicare reform negotiations this year. Senator Baucus supports a comprehensive, high quality prescription drug benefit that would protect seniors from ever choosing between food and medication due to the high cost of prescription drugs.

Baucus today announced that he is willing to go down the road toward a private risk-based insurance model for prescription drugs, as long as certain requirements are met:

1. Insurance risk must be phased in over time to ensure smooth transition and incentives for plan participation;
2. A private insurance drug benefit must have a strong government back-up system, with a standard benefit package and national premium;
3. To ensure stability, the new drug program should have extended contract periods of 3-5 years;
4. Plans should serve a geographic area of at least two states. This is particularly important for rural states like Montana to ensure that plans participate in these areas.