

107TH CONGRESS
1ST SESSION

S. 1263

To amend title XVIII of the Social Security Act to establish a voluntary Medicare Prescription Drug Plan under which eligible medicare beneficiaries may elect to receive coverage under the Rx Option for outpatient prescription drugs and a combined deductible.

IN THE SENATE OF THE UNITED STATES

JULY 27, 2001

Mr. SMITH of New Hampshire (for himself and Mr. ALLARD) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to establish a voluntary Medicare Prescription Drug Plan under which eligible medicare beneficiaries may elect to receive coverage under the Rx Option for outpatient prescription drugs and a combined deductible.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Voluntary Medicare Prescription Drug Plan Act of
6 2001”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Medicare payment for outpatient prescription drugs.

“PART D—VOLUNTARY MEDICARE PRESCRIPTION DRUG COVERAGE

“Sec. 1860A. Medicare Prescription Drug Plan.

“Sec. 1860B. Rx Option.

“Sec. 1860C. Combined deductible.

“Sec. 1860D. Partnerships with private entities to offer the Rx Option.”.

Sec. 3. Conforming changes to Medigap.

3 **SEC. 2. MEDICARE PAYMENT FOR OUTPATIENT PRESCRIP-**
 4 **TION DRUGS.**

5 (a) IN GENERAL.—Title XVIII of the Social Security
 6 Act (42 U.S.C. 1395 et seq.) is amended by redesignating
 7 part D as part E and by inserting after part C the fol-
 8 lowing new part:

9 “PART D—VOLUNTARY MEDICARE PRESCRIPTION DRUG
 10 COVERAGE

11 “MEDICARE PRESCRIPTION DRUG PLAN

12 “SEC. 1860A. (a) IN GENERAL.—Each Medicare
 13 Prescription Drug Plan eligible individual may elect cov-
 14 erage (beginning on January 1, 2002) under this part by
 15 enrolling in the Rx Option in order to receive coverage
 16 for outpatient prescription drugs as described in section
 17 1860B and to pay a combined deductible under section
 18 1860C.

19 “(b) MEDICARE PRESCRIPTION DRUG PLAN ELIGI-
 20 BLE INDIVIDUAL DEFINED.—In this part, the term ‘Medi-

1 care Prescription Drug Plan eligible individual’ means an
 2 individual who is—

3 “(1) eligible for benefits under part A and en-
 4 rolled under part B;

5 “(2) not enrolled in a Medicare+Choice plan
 6 under part C; and

7 “(3) not eligible for medical assistance for out-
 8 patient prescription drugs under title XIX.

9 “RX OPTION

10 “SEC. 1860B. (a) ENROLLMENT IN THE RX OP-
 11 TION.—

12 “(1) IN GENERAL.—Except as provided in para-
 13 graph (2), the Secretary shall establish a process for
 14 the enrollment of Medicare Prescription Drug Plan
 15 eligible individuals under the Rx Option that is
 16 based upon the process for enrollment in
 17 Medicare+Choice plans under part C of this title.

18 “(2) EXCEPTIONS.—

19 “(A) 2-YEAR OBLIGATION.—Except as pro-
 20 vided in subparagraph (B), a Medicare Pre-
 21 scription Drug Plan eligible individual who
 22 elects the Rx Option shall be subject to the pro-
 23 visions of this part for a minimum period of 2
 24 years, beginning with the first full month dur-
 25 ing which the individual is eligible for benefits
 26 under the Rx Option.

1 “(B) FREE LOOK PERIOD.—An individual
 2 who elects the Rx Option may disenroll from
 3 such Option no later than the last day of the
 4 first full month following the month in which
 5 such election was made.

6 “(3) ENROLLMENT IN MEDICARE SUPPLE-
 7 MENTAL POLICIES.—An individual enrolled in the
 8 Rx Option may be enrolled only in a medicare sup-
 9 plemental policy subject to the special rules de-
 10 scribed in section 1882(v).

11 “(b) OUTPATIENT PRESCRIPTION DRUG BENE-
 12 FITS.—

13 “(1) IN GENERAL.—Beginning in 2002, under
 14 the Rx Option, after the enrollee has met the com-
 15 bined deductible under section 1860C, the Secretary
 16 shall provide a benefit for outpatient prescription
 17 drugs through private entities under section 1860D
 18 equal to 50 percent of the lesser of—

19 “(A) the cost of outpatient prescription
 20 drugs for such year; or

21 “(B) \$5000.

22 “(2) COST-OF-LIVING ADJUSTMENT.—In the
 23 case of any calendar year beginning after 2002, the
 24 dollar amount in paragraph (1)(B) shall be in-
 25 creased by an amount equal to—

1 “(A) such dollar amount; multiplied by

2 “(B) the percentage (if any) by which—

3 “(i) the prescription drug component
4 of the Consumer Price Index for all urban
5 consumers (all items city average) for the
6 12-month period ending with August of the
7 preceding year; exceeds

8 “(ii) such prescription drug compo-
9 nent of the Consumer Price Index for the
10 12-month period ending with August 2001.

11 “(3) ROUNDING.—If any increase determined
12 under paragraph (2) is not a multiple of \$1, such
13 increase shall be rounded to the nearest multiple of
14 \$1.

15 “COMBINED DEDUCTIBLE

16 “SEC. 1860C. (a) IN GENERAL.—Notwithstanding
17 any provision of this title and beginning in 2002, a bene-
18 ficiary electing the Rx Option shall be subject to a com-
19 bined deductible that shall apply in lieu of the deductibles
20 applied under sections 1813(a)(1) and 1833(b).

21 “(b) AMOUNT.—

22 “(1) IN GENERAL.—For purposes of subsection
23 (a), the combined deductible is equal to \$675.

24 “(2) COST-OF-LIVING ADJUSTMENT.—In the
25 case of any calendar year after 2002, the dollar

1 amount in paragraph (1) shall be increased by an
 2 amount equal to—

3 “(A) such dollar amount; multiplied by

4 “(B) the percentage (if any) by which—

5 “(i) the medical component of the
 6 Consumer Price Index for all urban con-
 7 sumers (all items city average) for the 12-
 8 month period ending with August of the
 9 preceding year; exceeds

10 “(ii) such medical component of the
 11 Consumer Price Index for the 12-month
 12 period ending with August 2001.

13 “(3) ROUNDING.—If any increase determined
 14 under paragraph (2) is not a multiple of \$1, such
 15 increase shall be rounded to the nearest multiple of
 16 \$1.

17 “(c) APPLICATION.—In applying the combined de-
 18 ductible described in subsection (a) such deductible shall
 19 apply to each expense incurred on a calendar year basis
 20 for each item or service covered under this title, and each
 21 expense paid on a calendar year basis for such an item
 22 or service shall be credited against such deductible.

23 “PARTNERSHIPS WITH PRIVATE ENTITIES TO OFFER THE
 24 RX OPTION

25 “SEC. 1860D. (a) PARTNERSHIPS.—

1 “(1) IN GENERAL.—The Secretary shall con-
2 tract with private entities for the provision of out-
3 patient prescription drug benefits under the Rx Op-
4 tion.

5 “(2) PRIVATE ENTITIES.—The private entities
6 described in paragraph (1) shall include insurers (in-
7 cluding issuers of medicare supplemental policies
8 under section 1882), pharmaceutical benefit man-
9 agers, chain pharmacies, groups of independent
10 pharmacies, and other private entities that the Sec-
11 retary determines are appropriate.

12 “(3) AREAS.—The Secretary may award a con-
13 tract to a private entity under this section on a
14 local, regional, or national basis.

15 “(4) DRUG BENEFITS ONLY THROUGH PRIVATE
16 ENTITIES.—Outpatient prescription drug benefits
17 under the Rx Option shall be offered only through
18 a contract with a private entity under this section.

19 “(b) SECRETARY REQUIRED TO CONTRACT WITH
20 ANY WILLING QUALIFIED PRIVATE ENTITY.—The Sec-
21 retary may not exclude a private entity from receiving a
22 contract to provide outpatient prescription drug benefits
23 under the Rx Option if the private entity meets all of the
24 requirements established by the Secretary for providing
25 such benefits.”.

1 **SEC. 3. CONFORMING CHANGES TO MEDIGAP.**

2 Section 1882 of the Social Security Act (42 U.S.C.
3 1395ss) is amended by adding at the end the following
4 new subsection:

5 “(v) SPECIAL RULES FOR MEDICARE PRESCRIPTION
6 DRUG PLAN ENROLLEES.—

7 “(1) REVISION OF BENEFIT PACKAGES.—

8 “(A) IN GENERAL.—Notwithstanding sub-
9 section (p), the benefit packages established
10 under such subsection (including the 2 plans
11 described in paragraph (11)(A) of such sub-
12 section) shall be revised (in the manner de-
13 scribed in subsection (p)(1)(E)) so that each of
14 the benefit packages classified as ‘A’ through
15 ‘J’ remain exactly the same, except that each
16 benefit package shall include special rules that
17 apply only to individuals enrolled in the Rx Op-
18 tion under section 1860B as follows:

19 “(i) COMBINED DEDUCTIBLE.—Each
20 benefit package shall require the bene-
21 ficiary of the policy to pay annual out-of-
22 pocket expenses (other than premiums) in
23 an amount equal to the amount of the
24 combined deductible under section
25 1860C(b) before the policy begins payment
26 of any benefits.

1 “(ii) PRESCRIPTION DRUG COV-
 2 ERAGE.—In the case of a benefit package
 3 classified as ‘H’, ‘I’, and ‘J’, such policy
 4 may not provide coverage for outpatient
 5 prescription drugs that duplicates the cov-
 6 erage for outpatient prescription drugs
 7 provided under the Rx Option under sec-
 8 tion 1860B(b).

9 “(B) ADJUSTED PREMIUM.—In the case of
 10 an individual enrolled in the Rx Option, the
 11 premium for the policy in which the individual
 12 is enrolled may be appropriately adjusted to re-
 13 flect the special rules applicable to such indi-
 14 vidual under subparagraph (A).

15 “(2) RENEWABILITY AND CONTINUITY OF COV-
 16 ERAGE.—The revisions of benefit packages under
 17 paragraph (1) shall not affect—

18 “(A) the renewal of medicare supplemental
 19 policies under this section that are in existence
 20 on the effective date of such revisions; or

21 “(B) the continuity of coverage under such
 22 policies.”.

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