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AN IMMEDIATE HELPING HAND

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT TO PROVIDE IMMEDIATE ASSISTANCE TO HELP CERTAIN MEDICARE BENEFICIARIES BUY PRESCRIPTION DRUGS

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THE WHITE HOUSE,
Washington, January 29, 2001.

Hon. J. DENNIS HASTERT,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Enclosed please find the blueprint for my program to provide immediate assistance to help certain Medicare beneficiaries buy prescription drugs. I look forward to working with the Congress to enact these principles into law and to working together on comprehensive Medicare reform.

Sincerely,

GEORGE W. BUSH.

An Immediate Helping Hand

President George W. Bush

January 2001

Offering an Immediate Helping Hand

A Commitment to Reform Medicare and Provide Prescription Drug Coverage to All Medicare Beneficiaries

Overview

President Bush believes the nation has a moral obligation to make retirement a time of health and security for America's seniors. For thirty-five years, Medicare has played an integral part of providing security to millions of Americans. Medicare has also provided essential help to Americans young and old with long-term disabilities. Yet, to fulfill our nation's promise to seniors and the disabled, Medicare must be reformed. The Medicare system faces increasing financial pressures due to the impending retirement of Baby Boomers. Further, Medicare beneficiaries are often denied access to innovative medical care.

No aspect of the flaws in the Medicare program more acutely highlights the need for reform than the limited access of seniors to prescription drugs that can improve and save lives. Medicare was created in 1965, before the development of new drug treatments that help prevent costly complications, hospitalizations, and death from heart disease, cancer, diabetes, Alzheimer's disease and many other illnesses. The new medicines also prevent many serious illnesses from occurring in the first place and improve the quality of life of those who suffer from illness.

As prescription drugs have become an integral part of modern medicine, private health insurance in the United States has changed to incorporate adequate prescription drug insurance. Yet Medicare still does not provide coverage for most drugs as part of its benefit package. As a result, roughly three out of every ten Medicare beneficiaries have no insurance coverage for prescription drugs, and many beneficiaries with supplemental drug insurance face high premiums and restricted coverage. For those with limited or no coverage, the ability to afford needed drugs will continue to erode as drug costs increase more rapidly than their real income.

To renew the promise made to our seniors thirty-five years ago, we must guarantee that all seniors have access to prescription drug coverage within the Medicare program. But to sustain this promise, Medicare needs substantial bipartisan reform. Without real reform, Medicare cannot meet the long-term financial challenge of providing secure coverage for our aging population, or keep up with innovations in medical care that lie ahead in the 21st century.

We must work toward a bipartisan solution that brings about fundamental reform, to preserve and sustain the Medicare program and to incorporate a prescription drug benefit for all seniors.

Extending an Immediate Helping Hand

The Administration will work closely with members of Congress to enact bipartisan reform and a comprehensive prescription drug benefit as soon as possible. Yet this reform effort may take some time, and the most vulnerable beneficiaries have already waited too long for action. Millions of beneficiaries have modest and fixed incomes, or illnesses that make them dependent on costly medications, but they have no drug coverage that protects against catastrophic expenses. Lack of drug coverage disproportionately affects the near poor (those not eligible for Medicaid), the oldest elderly, and beneficiaries living in rural areas. Because the incomes of these beneficiaries also tend to be lower, rising drug costs especially strain their budgets. The President therefore proposes this Immediate Helping Hand plan to provide immediate funding to states to allow for interim prescription drug coverage for those beneficiaries who need it most until bipartisan Medicare reform is enacted.

Immediate Helping Hand will help fill the gaps in Medicare's promise of access to health care and financial security for its most vulnerable beneficiaries, until bipartisan Medicare reform can be enacted. Immediate Helping Hand will also give states the temporary financial support they need to protect beneficiaries with limited incomes or very high drug expenses and no other alternative for drug coverage until Medicare reform is achieved.

Twenty-six states have already enacted state pharmaceutical assistance programs, taking responsibility for providing some drug coverage for beneficiaries who most need help in the face of Federal inaction. Some of these programs – such as the Pharmaceutical Assistance Contract for the Elderly (PACE) and the companion PACENET program in Pennsylvania -- are already well established. The President's proposal would give states with established programs the assistance they need to sustain such programs and make them more generous, or to address other pressing health needs of seniors and persons with disabilities that these states are now foregoing in order to fund their drug benefit.

Many states – from Massachusetts and New York to Michigan and Nevada – have recently enacted or expanded similar drug benefit proposals for Medicare beneficiaries, and many others are considering proposals in their current legislative sessions. But the states are unsure about their ability to finance drug coverage for Medicare beneficiaries. The President's proposal would enable states that want to do so to provide secure coverage until broader Medicare reform is enacted.

Policy Details of Immediate Helping Hand:

The Immediate Helping Hand (IHH) initiative will provide funds to states, beginning immediately upon enactment, for drug coverage for Medicare beneficiaries who are least able to afford needed prescriptions. The proposal would:

- Cover the full cost of drug coverage for individual Medicare beneficiaries with incomes up to $11,600 who are not eligible for Medicaid or a comprehensive private retiree benefit, and for married couples with incomes up to $15,700 (135% of poverty) who do not have access to

coverage. These beneficiaries would receive comprehensive drug insurance for a premium of $0, and would no longer have to pay more than nominal charges for prescriptions.

- Cover part of the drug costs for individual Medicare beneficiaries with incomes up to $15,000 and married couples with incomes up to $20,300 (175% of poverty). These beneficiaries would receive subsidies for at least 50% of the premium of high-quality drug coverage.

- Provide catastrophic drug coverage for all Medicare beneficiaries, giving them financial security against the risk of very high out-of-pocket prescription expenditures.

- Begin immediately. Unlike other plans, IHH builds on coverage that is available in over half the states, and under consideration in almost all states. No other proposal would provide interim access to drug coverage for up to 9.5 million of the most vulnerable Medicare beneficiaries until Medicare reform can be enacted.

- Minimize the temporary burden on states. IHH is 100% federally funded, with flexibility in how states can choose to establish or enhance drug coverage.

Immediate Help for Seniors in Need:

Beneficiaries have been waiting years for the federal government to reform Medicare and provide prescription drug coverage. In states that already provide some drug coverage, many more beneficiaries with no alternatives would be able to get secure, high-quality coverage this year. In states that are considering temporary drug coverage programs but are concerned about the cost, vulnerable beneficiaries that otherwise could not get coverage soon would get assistance until Medicare reform is enacted.

A Helping Hand to States:

Because of federal inaction in recent years, states have had to act to assist beneficiaries with prescription drug coverage, straining their budgets. But all states need Federal support to finance drug coverage until Medicare reform is achieved. IHH would allow states the flexibility they need to provide this coverage as effectively as possible. State programs already enacted or under consideration that provide prescription drug coverage would generally be eligible. States that have previously enacted their own drug benefit programs would not be penalized.

An Interim Step Before Comprehensive Bipartisan Medicare Reform:

IHH is temporary – the program sunsets in four years or as soon as a comprehensive Medicare prescription drug benefit is implemented. President Bush will continue to work for his ultimate goal of reforming the Medicare program in a bipartisan fashion to provide a guaranteed prescription drug benefit to all beneficiaries.

More Details on Immediate Helping Hand

Plan Feature	
Benchmark Prescription Drug Insurance	Drug insurance covers all therapeutic classes covered by, and is at least actuarially equivalent to, one or more of the following: Federal Employees' Blue Cross and Blue Shield Plan – Standard Service Benefit Largest State Employees' Plan State Medicaid Plan
Payments by Beneficiaries with Incomes Less Than 135% of Poverty Level	Full subsidy for premium cost ($0 beneficiary premium). At most nominal cost sharing per prescription.
Payments by Beneficiaries with Incomes Between 135% and 175% of Poverty Level	Subsidy for at least 50% of premium cost. No greater cost sharing than in one or more of the benchmark plans.
Generosity of Coverage	Premiums and cost-sharing may only vary with income, and must be lower for lower-income than higher-income beneficiaries. No pre-existing condition exclusions may be imposed.
Determination of Eligibility	Eligible individuals must reside in the state, be entitled to Medicare benefits, not be eligible for Medicaid or a comprehensive private retiree benefit, and either be determined by the state to have a family income not more than 175% of poverty or have catastrophic drug expenses.
Catastrophic Drug Benefit for All Medicare Beneficiaries	All beneficiaries with out-of-pocket drug spending of over $6,000 in a year, regardless of income, are eligible to participate in the state drug insurance program, with $0 premium and at most nominal cost sharing per prescription. States may also provide actuarially equivalent catastrophic insurance for all Medicare beneficiaries with out-of-pocket spending over $6,000 through a separate program.
State Discretion in Managing Drug Benefit Costs	States have discretion to implement a broad range of strategies to control benefit costs responsibly, including contracts with pharmaceutical benefit managers, utilization review programs, incentives to use "on-formulary" and generic drugs, and negotiated discounts.
Drug Benefits in Medicare+Choice Plans	States can pay to enhance prescription drug benefits in Medicare+Choice plans to IHH levels, for eligible beneficiaries enrolled in these plans.
Federal Share of Benefit Funding	States that choose to participate are reimbursed for 100% of benefit costs, up to state's maximum funding allocation and subject to limitations on administrative costs noted below.

Plan Feature	
Funds for States That Have Already Enacted State-Financed Prescription Drug Insurance	At state option, expenditures on already-enacted state drug insurance programs for eligible beneficiaries may be used to finance drug benefits for beneficiaries at higher income levels, and/or other state health services for beneficiaries with incomes below 175% of poverty level.
Administrative Costs	States may use up to 10% of allocated funds for administrative expenses, such as: benefit management costs, outreach to beneficiaries, startup costs for competitive programs to provide drug benefits for eligible beneficiaries.
Review of State Proposals	State submits written proposal to the Secretary of HHS for use of IHH funds, including description of drug benefit, method of delivering benefit, and plans for outreach to beneficiaries. Plan is considered approved and funds are made available unless the Secretary of HHS notifies state of disapproval within 45 days, with the reasons for the disapproval, or a request for additional information. State then has opportunity to submit revised plan.
Reports to Congress and the Public	State submits annual report describing the characteristics of the population served by its drug benefit plan, the costs of the plan, and any additional state expenditures for the benefits provided by the plan. Secretary of HHS submits an annual report to Congress based on the state reports, including conclusions and recommendations about the performance of the IHH program and about any transition issues arising as a result of enactment of Medicare reform.
Financing	President's budget will include adequate funding for the full allotments to states to provide the drug benefit.
Program Duration	IHH plan takes effect upon enactment and is funded to continue through 2004. The program sunsets automatically upon implementation of a Medicare drug benefit as part of Medicare reform.
Allocation of Funds	Maximum payments to states are based on state share of Medicare beneficiaries with incomes below 175% of poverty line, with floor amount of 0.5% of total funds. Funds also allocated to US commonwealths and territories.