

## COMMONLY ASKED QUESTIONS



# A PRESCRIPTION DRUG PLAN FOR A STRONGER MEDICARE

## Effective Answers to Commonly-Asked Questions

### **What are the incomes that equal the poverty levels of 100%, 135%, and 150%?**

Poverty levels—in terms of income—changes every year. But for 2004, 100 percent of poverty is \$9,310 for an individual and \$12,490 for couples; 135 percent of poverty was \$12,569 for an individual and \$16,862 for a couple; 150 percent of poverty was \$13,965 for individuals and \$18,735 for a couple.

These are the *approximate* income thresholds that are used to determine whether a senior qualifies for certain low income provisions of the new prescription drug plan.

### **Is it the household income or individual income that decides how much coverage you get?**

Household.

### **What is the cost of the Rx card? Is it good for both years or do I have to renew it?**

The drug card will cost up to \$30/year. We expect card sponsors to compete with each other by offering lower annual enrollment fees. The card is good for both years until the full plan goes into effect in 2006. It will not have to be renewed and will remain valid until you specify otherwise.

### **What will prevent the drug companies from raising the prices of drugs to offset the discount?**

The government will aggressively monitor the drug card sponsors to ensure that drug companies do not engage in bait and switch tactics on prices. The fact is that the increased competition for the business of millions of seniors and the intense scrutiny by the government will keep prices in check. Seniors will have their choice of cards, and the discount they receive will be good (10-25%). For those who have no coverage now, and for low income seniors, it is a good start until 2006.

### **When can we get our Rx card? Who gets the \$600 credit?**

The prescription drug discount card will begin working in June of 2004. The new card will provide an annual, upfront pharmaceutical credit of \$600 per low-income seniors who are at or below 135% of poverty (\$12,569 for individuals and \$16,862 for couples). Essentially, this card would be like an ATM card that you can use to buy your medicine, which already has \$600 credited to it.

### **Will this effect VA benefits?**

No, and let everyone be clear: this plan is available to everyone but totally, 100 percent voluntary. No one is going to force you to do anything. If you are happy with the coverage you are receiving right now—either from the VA or an employer or elsewhere—you can keep that coverage. But, you will have the option to enroll in a plan that will help you with your drug costs if you do not have any other type of insurance for your medication, or if you are unhappy with your current insurance.

### **Is it true that Medicare pays different charges in different states?**

Just as housing costs, sales taxes and utility costs vary from state to state and region to region, so do health care costs. The widest disparity in health care costs occurs between rural and urban areas. One example is physician fees.

Currently, Medicare adjusts physician fees based on the local labor, practice and liability insurance costs. With this formula, many rural physicians receive less reimbursement for the same services than their urban colleagues. And as a result, many rural doctors have to severely limit the amount of Medicare patients they see, which greatly reduces health care access for million of rural seniors.

However, this landmark package includes \$25 billion to help reduce the disparities between urban and rural areas. That is why the rural health care caucus strongly supports this plan.

### **Why can't we have price controls?**

I can see why price controls appear to be an attractive option. But all the evidence shows that when the government tries to limit the cost of a good or service, those who produce that good or service limit the quantity produced, which, in turn, reduces access and availability. And I don't want to do anything that would limit your ability to get the life-saving medications you need.

We need to foster continuous research and development to pave the way for the cutting edge medicines of tomorrow. Price controls will inhibit that kind of innovation.

### **Can we put a ban on advertising for the Rx companies?**

There is nothing in this bill that directly addresses that issue. I agree that it is something we should study further. Drug companies spend a lot of money on ads that—for the most part—don't provide direct information on what the drug does. But let me suggest that there are a lot of complex issues when we talk about banning or limiting the ability to advertise not the least of which are free speech issues. I think you bring up a good point. It's something we need to look at.

### **Why can't seniors have the same coverage as the Federal employees?**

In 2006, Medicare will include program called Medicare Advantage that will provide coverage to seniors similar to what Federal employees have available to them.

With Medicare Advantage, seniors will be able to choose from various plans—HMOs, PPOs and traditional Medicare. REMEMBER: you can exercise your right to stay in traditional Medicare—that is ALWAYS your right.

But the choices given to seniors with Medicare Advantage are very similar to those choices that are offered to Federal employees.

### **Why can't we buy drugs from Canada?**

Obtaining cheaper drugs from Canada seems like the easiest and most appealing option. But let me suggest that the situation is a little more complex than it may seem.

First, Canada may appear to be a safe country to receive medication from, but what if I told you that we know for a fact that some of the drugs “from Canada” are actually coming from India or Mexico? When drugs can come into Canada from other countries and then move into the United States, safety of the medications becomes much more difficult to verify. You may be interested to know that this bill does not prohibit re-importing drugs from Canada. However, it *DOES* state that the United States will not re-import drugs from Canada unless the Secretary of Health and Human Services deems it safe...which it has not done.

As your member of Congress, my primary responsibility is to ensure your safety—as an individual, as a community, and as a district. Therefore, I can not advocate something which has not been proven to be completely safe.

That might not sufficiently answer your question, and I'll be the first to admit that this bill doesn't fully address the issue. I agree that it is an issue that we will need to re-visit and study further.

### **Why can't Medicare and the Federal government negotiate prices with the Rx companies?**

First of all let me stress that seniors will see some relief from high drug prices with this Medicare prescription drug benefit. For the first time, seniors will not be forced to pay retail prices for their prescriptions. With a drug benefit, seniors will now have group buying power, which will significantly drive down drug prices. The Congressional Budget Office (CBO) has predicted a previously uninsured senior will save up to 20 percent in negotiated drug prices – before savings from the Medicare drug benefit are taken into account.

Second, government pricing of prescription drugs currently exists in Medicaid, a program for low-income Americans, where they are subjected to government price setting through a so-called ‘best price’ provision. Unfortunately, this doesn't result in the best and lowest drug savings for those beneficiaries. Comparing the cost of the ‘best price’ requirement to the provision in the new Medicare drug benefit, CBO estimates billions in savings to seniors and taxpayers. Clearly, we can and should do better than government price setting.

In the new law, prescription drug plans aggressively negotiate down drug prices because they have a financial stake in doing so. A government bureaucracy has no such incentive. The Congressional Budget Office has predicted that government-run plans produce less savings – not more – on the cost of drugs.

It's also important to note that this bill does more to reduce drug prices than any other bill that has ever been enacted. Seniors not only get group buying power, but also benefit along with all consumers from provisions that accelerate movement of cheaper generic drugs to the market.

### **Why will it take so long for the program to be in place?**

The Department of Health and Human Services has a huge undertaking in implementing this new law. It is a tremendous task to have to establish a network of prescription drug providers and enroll, potentially, up to 40 million seniors. And don't forget, Medicare has committed to providing you immediate savings by providing you with a prescription drug discount card by June of this year.

### **Will there be any choices of programs?**

Absolutely. Beginning in 2006, you will be able to choose from various plans—HMOs, PPOs or traditional Medicare—whichever fits your needs the best. It's available to everyone, but totally optional to enroll. If you like the prescription drug coverage you currently have, you can choose to stay with your original plan and not pay one dime more. It's that simple.

### **What is the government doing to encourage companies to continue providing benefits to retirees?**

The loss of current retiree coverage is quite scary. The problem is that it has been happening for years. So, one of the first things we did when creating this plan was to find a way to help former employees who have plans to keep them.

Exploding health care costs have forced employers to drop health coverage for their retirees and have been doing so at alarming rates. If the current trend continues, more and more of the responsibility of providing health care will fall on the shoulders of the government, making it more expensive for taxpayers.

Employers want to keep offering health care coverage to their former employees, but need help. Under the new law, employers will be given measures to continue providing retirees their existing health care. In addition, employers will be allowed to fold into their retiree coverage the new features of Medicare – to encourage employers to continue offering retiree health insurance.

### **As you may know [STATE] has a quite generous prescription drug program. Will this new law supercede that state program? Will we have access to both?**

This bill will help take some of the pressure off of the states who are struggling to continue their existing programs or who are thinking of increasing co-pay levels. With the new federal resources available under this bill, states should be able to continue existing benefits or even expand coverage to more people. You should talk to your state legislator though to make sure that our state doesn't retreat from its commitment to good coverage and simply pass the buck back to Washington.