



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Finance Committee Chairman Chuck Grassley  
regarding the flawed analysis of Part B and D Premiums and Social Security COLAs  
presented by Senate Minority Leader Tom Daschle and House Minority Leader Nancy Pelosi  
Wednesday, July 21, 2004

When Congress passed the Medicare Modernization Act last year, it was the result of years of work by Republicans and Democrats. The Senate bill was bipartisan and it passed by a vote of 76 to 21. The bill that emerged from conference was bipartisan and passed by a vote of 54 to 44 with the support of 11 Democrats and one Independent.

The latest charge by Democratic opponents of the Medicare drug benefit is misdirected and erroneous. The real issue here is that many beneficiaries have not had coverage for prescription drugs which have been eating up seniors' incomes for years. No drug coverage means that many seniors' incomes can be wiped out, leaving many with little to pay for food, housing and to make ends meet. That's precisely why Congress passed the new drug benefit in the Medicare Modernization Act. For the first time ever, the Medicare program will offer significant protections targeted to seniors with low incomes and those with high drug costs. Consider the alternative. Without the Medicare drug benefit, beneficiaries would continue to pay the entire cost out of pocket. Without this protection and a 74 percent federal subsidy for covered drugs, Social Security COLAs would continue to be swallowed by their uncovered prescription drug costs.

What's more, the Democratic Joint Economic Committee staff analysis is flawed. In the example provided by the staff they show an individual whose entire COLA is consumed by the increase in Part B premiums in 2004. This same individual would actually receive COLAs over the next ten years larger than the combined increases in Part B and Part D projected by the Congressional Budget Office. Moreover, assuming this beneficiary is relying solely on Social Security income of less than \$400 per month, this individual's Part B and Part D premium would be covered by the government because of their low income, so their Social Security COLA would be unaffected.

The analysis of the Democratic staff of the Joint Economic Committee points out that Part B premiums have risen faster in the last few years compared to previous years. This is not only due to the new benefits in the Medicare Modernization Act. Several factors are driving these increases. First, physician payments were increased in 2003 to preserve access to physician services and ensure quality of care. In addition, to protect the solvency of the Medicare Trust Fund, Congress transferred Home Health services into Part B. Finally, spending for durable

medical equipment and physician-administered drugs have risen rapidly in recent years, which has driven up spending in Part B of Medicare.

The Democrats concern for Part B premium increases is a newly found reversal of position. The fact is that last year numerous proposals offered or supported by Senate Democrats would have increased Part B spending by billions. Some of these proposals would have increased payments to home health providers and physicians and established new Part B benefits and covered services. Many of these ideas are, in fact, laudable and had bipartisan support, but they all increase Part B premiums.

Part B premiums will increase in 2005 due, in part, to enhanced benefits for beneficiaries included in the Medicare Modernization Act with bipartisan support. These include valuable new screening benefits for cardiovascular disease, diabetes and the new initial physical.

The new Democrat proposal would add tens of billions of dollars to Medicare costs. This new proposal is from the same members who have been complaining about the higher cost estimate from the Centers for Medicare and Medicaid Services for the Medicare Modernization Act, and now they propose to throw that concern out the window and instead add tens of billions to that cost.

The fact is that this new law offers an affordable, universal prescription drug benefit that will cover about half the cost of prescriptions for the average beneficiary. It offers coverage of 85 percent to 95 percent of the cost of prescription drugs for 14 million lower income seniors with lower or no premiums. And, the new Medicare drug benefit is voluntary—no one is forced to enroll in this benefit. Seniors can stay in traditional Medicare just like they have today and have access to prescription drug coverage.

Through this new drug benefit, Medicare plans will leverage the purchasing power of millions of beneficiaries to negotiate lower prices from drug manufacturers. This new law also lowers drug costs by speeding the delivery of new generic drugs to the marketplace, lowering costs for all Americans, not just those on Medicare.

After years of hard work on both sides of the aisle, Republicans and Democrats came together to pass this legislation. There are people on both sides of the aisle that would like to make changes and you can be sure than this will not be the last time Congress passes Medicare legislation. Now is not the time to reopen Medicare, however. The ink is barely dry on the President's signature. The Centers for Medicare and Medicaid Services is working to implement the new program. Any changes at this point will almost certainly delay the drug benefit from implementation. The time for delay is over.