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**The Medicare Extension of Drugs to Seniors (MEDS) Plan**

*Synthesizing the best bipartisan proposals, the Progressive Caucus's MEDS Plan creates a voluntary comprehensive prescription drug benefit under Medicare in a fiscally responsible manner.*

## **MEDICARE EXTENSION OF DRUGS TO SENIORS (MEDS) PLAN**

### **Overview:**

MEDS establishes an outpatient prescription drug benefit under a new Medicare Part D.

### **Eligibility:**

All MEDS beneficiaries choose to enroll in Part D when they become eligible for Medicare. Those wishing to keep private or retirement-plan drug benefit coverage can enroll if their coverage is dropped or significantly reduced.

### **Coverage:**

Enrollees in the MEDS program are covered for the all medically necessary FDA-approved medications, including those for ESRD (End Stage Renal Disease) and immunosuppressive therapies.

### **Benefits and Cost-sharing:**

MEDS pays 80% with 20% coinsurance (first dollar coverage) with a benefit limit of \$2000 (will rise to \$5,000 in 2009). Catastrophic coverage starts at \$5,000.

### **Prescription Drug Prices:**

- (Reimportation) Beginning 2001, all FDA-approved prescription drugs would be allowed to be imported or reimported from approved international wholesalers and manufacturers. (Allen Bill) To eliminate price discrimination, manufacturers would charge Medicare and its beneficiaries the price equal to the lower of either the lowest price paid for the drug by other Federal Government agencies or the manufacturer's best price for the drug.
- (Reasonable Prices) Drugs developed with taxpayer funds would be subject to "reasonable price" agreements when patents are transferred to pharmaceutical companies.

### **Plan Administration:**

The drug benefit would be administered by the Health Care Financing Administration.

### **Premiums and Low-income Assistance:**

- Premiums would be \$24/month in the first year. The Government would subsidize:
  - 100% of the premium and cost sharing for beneficiaries below 135% of poverty.
  - Partial subsidy on a sliding scale for those between 135% and 150%

### **Employer Incentive Program:**

Employers providing drug coverage equal to or better than the Medicare coverage receive an incentive payment to maintain such coverage.

	<b>Bush Administration</b> <i>“Immediate Helping Hand Plan”</i>	<b>Progressive Caucus</b> <i>“Medicare Extension of Drugs to Seniors (MEDS) Plan”</i>
<b>Beneficiaries At Plan Outset</b>	Only single seniors making under \$15,700 and couples under \$20,000 per year	All Medicare beneficiaries who voluntarily enroll
<b>Cost Containment</b>	None.	<ul style="list-style-type: none"> <li>- Loophole-free reimportation legislation</li> <li>- NIH reasonable pricing legislation</li> <li>- Medicare best-price legislation</li> </ul>
<b>Coverage When Fully Phased In</b>	Impossible to know. The long-term plan as articulated by the Bush administration would provide a subsidy of 25% of the cost of a private insurance plan. Medigap plans offering prescription drug coverage can cost up to \$1,000 more than similar plans w/o drug coverage and coverage is generally limited, sometimes to as little as \$1200, and up to \$3,000 in benefits a year. The plans typically include a deductible as well.	Seniors pay 20% of prescription drug costs plus small monthly premium
<b>Maximum Out-of-Pocket Expense</b>	\$6000	\$1600
<b>When fully phased in, Beneficiary Cost for 1<sup>st</sup> \$3,000 of Drugs</b>	Impossible to know. The Bush plan includes no guaranteed benefit	\$1200
<b>Benefit to Non-Medicare Drug Consumers</b>	Nothing	35%-45% reduction in prices
<b>Benefit to Taxpayers</b>	Nothing	Reasonable prices for drugs developed at taxpayer expense
<b>Benefit to the Treasury</b>	Nothing	Lower prices to government with consolidated purchasing

# The Progressive Caucus MEDS Plan

## *Questions and Answers*

**Question: What does the MEDS plan do for Medicare beneficiaries?**

**Answer:** It provides a voluntary, Part D benefit to the Medicare program that provides comprehensive prescription drug coverage for all medically-necessary medications.

**Question: What's different about MEDS from the Bush Administration plan?**

**Answer:** The MEDS plan provides a comprehensive 80-20 benefit directly through Medicare. The Bush plan, on the other hand, seeks to subsidize seniors who pay inflated premiums to insurance companies. Because there is no cost containment in the Bush plan, it only aims to provide a subsidy of 25% of the cost of a private insurance plan for most seniors. Additionally, there is no guarantee that insurance companies will even participate in the Bush plan. In terms of lowering the overall price of medicine, the Bush proposal does nothing to lower the price of prescription drugs for people not in Medicare, while the MEDS plan employs strong reimportation and reasonable pricing provisions to lower the overall price of drugs for all Americans.

**Question: How is the MEDS plan fiscally sound?**

**Answer:** MEDS would reduce drug prices to those paid by other western nations (35-50% lower) through the safe reimportation of FDA-approved prescription drugs; ensuring that Medicare beneficiaries receive the "best price" available to the government; and requiring that taxpayer-funded prescription drug research is returned to consumers in the form of reasonable prices. With the government paying far less for beneficiaries' drugs, a comprehensive benefit can be achieved. Do the math: Prescription drug plans with less comprehensive benefits than the Progressive MEDS plan were offered in the last Congress with cost estimates in the \$75 billion range over a five year period. The Progressive MEDS plan can provide far greater benefits than those plan at roughly the same cost because of its super-efficient cost containment methods. For example, the average senior spends \$700 on drugs a year. Under the plan Vice President Gore advocated, the government would pay \$350. However, if drug prices are reduced by 40%, the average bill would go to \$420. If the government paid 80% of the cost, it would still pay less--\$336--than under the Democratic. In addition, as a result of price reduction, fewer beneficiaries would reach the benefit limits and still fewer would have to qualify for catastrophic coverage-further saving the government money.

**Question: Would the MEDS plan hurt pharmaceutical R & D?**

**Answer:** Not in the least. The pharmaceutical industry remains the most profitable industry in the country with last year's profits exceeding \$27 billion, yet their total R & D expenditures were only \$20 billion for the same period. They have received enough help from isolationist trade practices for long enough - it is time for them to participate in the world economy, not profit off the ill health of American seniors.

## The MEDS Plan In Action...

*Examples of how the plan would benefit American seniors*

**Example 1: A senior citizen with income of \$19,000 and annual prescription drug cost of \$2,000.**

- Bush Plan: The senior would receive \$0 in assistance. Even when the plan is fully phased in, the senior citizen would only receive a subsidy equal to 25% of the cost of a private insurance plan, but there will be no defined benefit and in all likelihood the senior will have to pay a deductible and copayments.
- MEDS Plan: The beneficiary would save \$1,460 in the very first year.

**Example 2: A senior couple with an income of \$30,000 and annual prescription drug costs of \$10,000.**

- Bush Plan: This couple would pay \$6,000 or \$500 per month.
- MEDS Plan: When MEDS is fully phased in, the out of pocket cost to this couple would be only \$1,600. Even in the first year, under MEDS, the couples' out of pocket expense is \$1,300 less than under the Bush Plan.

**Example 3: A senior with an income of \$9,000.**

- Bush Plan: 100% "coverage" at no cost. But what kind of coverage? There is no defined benefit and no guarantee of what copayments and deductible the senior would have to pay.
- MEDS Plan: The senior pays \$0 out of pocket - guaranteed -- with all medically-necessary prescription drugs included.