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Bush Drug Proposal in Medicare Plan Faces a Stiff Battle

By ROBERT PEAR and ROBIN TONER

WASHINGTON, May 20 — As Congress begins drafting Medicare legislation, one of the most contentious and politically explosive issues is whether the same drug benefits should be available to all.

The Bush administration and many of its allies on Capitol Hill say they want to use prescription drug benefits as an incentive to encourage older Americans to enroll in private health plans. People who stay with the traditional, government-run Medicare program would receive only modest drug benefits, while those who join private plans would be rewarded with much more extensive coverage.

White House officials and Republicans in Congress say the private plans would be more efficient than Medicare's lumbering bureaucracy. But the idea of using drug benefits to entice elderly people into those plans is in trouble on Capitol Hill.

Democrats are almost universally opposed to the effort, which they deride as a move to privatize Medicare. More ominous for the administration is the opposition of many Republicans, including several moderates who bucked the White House on tax cuts and several powerful lawmakers from rural states.

The debate is gaining urgency as Congress begins an intensive six-week drive to pass Medicare legislation, potentially one of the most significant domestic policy bills of the legislative session and one that is already behind schedule because of the struggle over tax cuts.

Medicare does not generally cover drugs outside the hospital. Efforts to add outpatient drug benefits have been unsuccessful.

Senator Rick Santorum, Republican of Pennsylvania, spoke for many conservatives when he said that Medicare should offer "a higher drug benefit as an incentive" for recipients to move into private plans.

"We all understand that the old Medicare system is a very inefficient way to provide care," said Mr. Santorum, the chairman of the Senate Republican Conference, the formal organization of the 51 Republican senators. "It's lower quality, and it costs more."

A Congressional aide said White House officials had made it clear that "they really must have an unequal drug benefit."

On the other side are lawmakers like Senator Olympia J. Snowe, a Maine Republican who is a member of the Finance Committee, who insists, "Every senior should have access to comprehensive prescription drug coverage, regardless of which Medicare option they choose."

Congressional leaders have set an ambitious schedule, intended to get a Medicare bill to the president's desk by this fall. They plan to push the complex legislation through three committees in early June and through the full House and Senate before the Fourth of July.

Many on Capitol Hill say the legislation, a top domestic priority for President Bush, is doomed unless Congress acts this year, before the presidential campaign begins in earnest. Democratic presidential contenders are already campaigning hard on the soaring costs of health care and what they say is the failure of Republicans to address it.

The Medicare proposal favored by Mr. Santorum and the White House would encourage people to enroll in private plans known as preferred provider organizations. Such plans would receive larger federal subsidies and could therefore offer more generous drug benefits than the government-run fee-for-service Medicare program, which now serves 88 percent of the 40 million Medicare beneficiaries.

But several influential Republicans say such an arrangement would penalize the elderly in rural areas, where private health plans have historically been unavailable or inaccessible to Medicare beneficiaries. Their constituents, they say, have a right to stay in the original Medicare program and receive comprehensive drug benefits.

The chairman of the Senate Finance Committee, Charles E. Grassley, an Iowa Republican who is up for re-election next year, has made his position clear, saying: "We need a universal drug benefit so seniors who want to stay in traditional Medicare get a prescription drug plan that's just as good as those who choose a new option."

Senator Max Baucus of Montana, the senior Democrat on the committee, has also denounced the idea of "differential drug benefits," saying it would discriminate against people in traditional Medicare. "That's just not fair," Mr. Baucus said. "In Montana, virtually all beneficiaries are in traditional Medicare."

Behind the fight on Capitol Hill is a struggle over the future of Medicare: Will it remain a traditional social insurance program, offering the same package of benefits, specified by Congress, to everyone on the rolls? Or will it embrace a larger role for private health plans, competing to control costs and offer innovative benefits to a generation of aging baby boomers — but also, critics say, restricting their choices of doctors and hospitals?

The fee-for-service Medicare program allows people to visit any doctor, but does little to coordinate care. In recent years, Medicare officials have encouraged beneficiaries to join health maintenance organizations and other private plans, with limited success.

Along with the White House, Senator Bill Frist of Tennessee, the majority leader, has championed a market-oriented approach, arguing, "The Medicare delivery system is antiquated, fragmented and overly bureaucratic."

Dr. Frist said the disjointed fee-for-service system could not coordinate drug benefits with other services covered by Medicare.

A Senate leadership aide said Dr. Frist wanted to give some drug benefits to people in traditional Medicare, but favored "higher benefits" for those who enrolled in private plans. Another Senate aide said "political reality" would probably force Dr. Frist to accept equal benefits.

The House has twice passed Medicare bills offering equal drug benefits to people in private plans and in the government-run program, though neither bill became law. White House lobbyists have apparently not persuaded House Republican leaders to depart from that position, Congressional aides said.

Thomas A. Scully, administrator of the federal Centers for Medicare and Medicaid Services, said he realized Congress was leaning toward creating equal drug benefits for all.

"That's not where the administration is," Mr. Scully said in an interview. "But I believe right now the House bill is likely to have equal benefits and the Senate bill is likely to have equal benefits."

Asked whether the administration could accept such a bill, Mr. Scully replied, "It depends on the whole package." Still, he said he was optimistic that the administration and Congress could agree this year.

Under Mr. Bush's proposal, people in the traditional Medicare program would receive drug discount cards and protection against very high drug expenses. People in private plans would get comprehensive drug benefits worth about twice as much as the assistance given to people in traditional Medicare.

Doug Badger, the president's health policy coordinator, defended the proposal as a major improvement over what the elderly have now. "Adding a prescription benefit and a drug discount card to traditional Medicare, at no additional cost to the beneficiary, is a real improvement," Mr. Badger said.

But lawmakers have been promising comprehensive drug coverage for several years now, and many are nervous about delivering less.

The debate reflects the Republicans' struggle to balance two legislative goals: creating a new drug benefit and moving toward a new health-care marketplace in Medicare, with a more limited role for the government. Both goals cost money, and Congress has set aside a fixed amount, \$400 billion over 10 years.

Many Republicans believe private plans will save money for Medicare. But many economists are skeptical.

Senator Santorum said he would go further than the Bush proposal. Congress, he said, should gradually end the traditional Medicare program as an option for new beneficiaries in the future, leaving them to choose from a variety of private plans. "I believe the standard benefit, the traditional Medicare program, has to be phased out," Mr. Santorum said.