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POLITICS AND POLICY

Hurdles Await Medicare Bills

Senate, House Clear Plans, but Doubters
 Seek Proof Savings Will Justify Costs

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WASHINGTON -- Landmark Medicare legislation won initial approval in Congress, but still faces landmines as the House and Senate must reconcile competing versions before a final bill can be enacted, most likely this fall.

The single biggest obstacle in the talks, which could begin as early as next week, is growing unrest among conservatives who want more proof of long-term savings to justify the \$400 billion investment, which chiefly will pay for a new prescription-drug entitlement.

The Bush administration is gambling that market forces will achieve these savings if private health plans can become an effective alternative to the government-run health-insurance program for the elderly and disabled. But it is a delicate balancing act, in which the House Republicans are more aggressive than the Senate in promoting privatization while doing less to protect lower-income elderly from higher costs.

An eager President Bush is pressing for prompt resolution, and the White House will have a greater role now in what will be a more closed-door, leadership-dominated process. White House aides are confident Mr. Bush can tip the final package to the right of the Senate version, but he risks a backlash if he undermines the centrist Senate coalition that has brought him this far. "We're going to be threading a needle," said Sen. Olympia Snowe (R., Maine.), a leading sponsor of the legislation.



Waldholz on Health: [Read answers to questions about possible effects of the proposed Medicare changes.](#)¹

Approval came Friday on a 76-21 Senate roll-call vote and a torturous 216-215 House vote.

"Sometimes it's pretty, sometimes it ain't," said House Speaker Dennis Hastert (R., Ill.). He and Senate Majority

Leader Bill Frist (R., Tenn.) warned against predictions of a compromise bill by August. Mr. Frist said he is "very confident" that the two bills can be merged, but added that "we've got to get this right. We're going to spend whatever time it takes."

He may even take a lead role among Senate negotiators, who will reflect a 5-4 party split, with Senate Minority Leader Tom Daschle (D., S.D.) also a likely participant. This could open the door for Mr. Hastert to join the House negotiators and be a counterweight to the often-tempestuous

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Ways and Means Committee Chairman Bill Thomas (R., Calif.).

Both chambers' bills emphasize private-market solutions to health care, consistent with the president's principles. But there are at least three contentious changes from the president's approach:

- The House and Senate rejected Mr. Bush's proposal to make private health plans more competitive by authorizing them to provide a richer drug benefit. But in place of this differential, both end up instituting rich new premium subsidies for the private plans that could prove costly.
- The House bill adds a provision expected to increase costs for beneficiaries who stay in traditional Medicare rather than join a private managed-care plan. In 2010, the House bill begins to phase in a requirement that beneficiaries who live in areas where there is significant private-plan participation pay any difference in premiums if they stay in the traditional program. Because older, higher-cost enrollees are considered more likely to stick with existing Medicare, its premiums could rise as much as 25% by 2014, according to an analysis by the federal Centers for Medicare and Medicaid Services (CMS).

Sen. Edward M. Kennedy (D., Mass.), whose support of the Senate bill solidified Democratic backing, warns he will fight the House proposal. Even past supporters of the idea such as Sen. John Breaux (D., La.) said, "I don't want to lose the bill over this." But appearing on ABC News's "This Week," Mr. Frist indicated support, and House Republicans said the promise of potential savings is crucial to maintaining conservative backing. "It's my commitment to try to keep it in," Mr. Hastert said.

- The House version makes wealthy seniors wait longer before reaching the catastrophic-coverage level, when Medicare would pay all drug costs. The rationale -- that wealthy Americans shouldn't get as much federal help as lower-income people -- has been criticized by advocacy groups for the elderly, who argue it would undermine Medicare's role as a social-insurance program, with equal benefits for all those who have paid into it. But the Senate signaled support for charging upper-income beneficiaries higher premiums for physician visits. "I predict we will see some affluence testing" Mr. Frist told ABC.

Other details could become bargaining chips between the House and Senate:

- Private health plans want near-term payment increases for the Medicare+Choice program, which currently provides enrollees in some areas with managed-care alternatives to Medicare. The House includes increases in 2004 and 2005, the Senate doesn't. After 2006, some health plans want the government to help cap the prices they have to pay providers to make it easier to compete with government-run Medicare. "It's not going to happen," said CMS administrator Thomas Scully.
- Both versions include changes to how Medicare pays for drugs it covers, aimed at ending well-documented overpayments for cancer drugs administered in doctor's offices. But the approaches differ: The House would pay a new "average sales price" plus 12% for such medicines, while the Senate would pay 85% of the current "average wholesale price," the published list price for drugs.
- House leaders agreed to a future vote on legislation to permit importation of prescription drugs from Canada, where they often are less costly, without pre-approval of the Department of Health and Human Services. Both bills include import provisions, but require HHS pre-approval. A previous drug-importation law has been blocked by HHS secretaries citing drug-safety concerns.

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