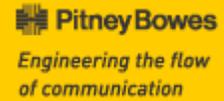




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## HEALTH

# House Panel Gives Nod To Medicare Drug Bill

By **DAVID ROGERS**  
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON -- The House Ways and Means Committee approved a Republican-backed Medicare prescription-drug and modernization bill that rests heavily on paying private health plans more to attract them into the health-care market for the elderly.

The 25-15 largely party-line vote clears the way for floor action next week. With the Senate debating its own bill on the floor, both houses expect to complete action before the July 4 recess and hope to send President Bush a compromise measure before the August recess.

The administration believes it can achieve long-term savings by drawing more elderly out of government-run Medicare, and Mr. Bush had proposed a richer subsidized drug benefit be offered in the private plans as the incentive. The Senate and the House Republican bill reject this approach, but the higher reimbursements and subsidies for premiums in the Ways and Means bill could give the plans the added attraction the administration seeks.

Beginning in 2006, private plans would be invited to compete with Medicare fee-for-service coverage by providing their own comprehensive alternative, including hospital and physician services. But before then, payments would be increased to the existing Medicare+Choice private plans to create a benchmark, or target, for this bidding.

• **Health-Care Poll:**<sup>1</sup> Most Americans believe life-saving treatments should be covered by health plans regardless of cost.

• **Waldholz on Health:**<sup>2</sup> The ins and outs of plans in Congress to add drug benefits to Medicare.

Current Medicare+Choice reimbursements vary and in some regions are lower than comparable Medicare payments. With the increases, however, the Centers for Medicare and Medicaid Services estimates reimbursements in all regions will exceed fee-for-service payments in their area 3% to 16%. The weighted national average difference would be about 7.5%, or about seven

percentage points above the average difference in 2006 if no increases were put in place.

The result is an investment window in which Republicans hope private plans not only will be able to compete profitably, but also can take advantage of added subsidies to reduce premiums or make the benefit package more attractive to enrollees.

If a private plan bids to provide services at payments below the benchmark, the House bill

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promises 75% of the difference essentially would be rebated to reduce premiums or improve benefits. The result is the proportion of the total plan subsidized by the government would be that much larger, and this is a major reason why CMS actuaries are optimistic the private option will become popular.

The result also could prove to be a reason the proposed changes end up being much more expensive than estimated. As the official scorekeeper for Congress, the Congressional Budget Office anticipates low costs -- but only because it questions the market impact and believes few plans will be able to compete even if given the higher payments.

But if CMS proves correct -- and 48% of beneficiaries choose private options within 10 years -- the costs could be considerable.

In the case of the drug benefit, the House and Senate packages are shaped differently, but the net costs are surprisingly close. A preliminary analysis by the CBO estimates the House benefit as costing about \$413 billion, slightly above the \$408 billion predicted for the Senate last week. Both plans depend on savings -- such as raising the deductible Medicare beneficiaries pay for physician services -- to stay within the \$400 billion level set by the budget resolution.

The House bill is more aggressive in seeking savings from hospitals but also promises more in new preventive-care options for Medicare generally, including a free physical for each enrollee.

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