

Bush Urges A Reshaping Of Medicare

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President Bush yesterday laid out his vision for the future of Medicare, calling for a new prescription drug benefit for elderly Americans, a wider choice of private health plans, and looser regulation of the health care industry.

Trying to shape one of the most politically and technically delicate issues before Congress, Bush said the Medicare system should include better coverage for preventive care, new treatments and serious illnesses. He also proposed that the program give more help to people with unusually large medical bills, for the first time picking up all their health expenses above a certain amount.

At the same time, the president said that the program, which provides health insurance to 39 million elderly and disabled Americans, must be put on a "sustainable financial footing," so that it does not run out of money when

The principles Bush laid out are, in essence, guideposts that the administration hopes lawmakers will follow as the Senate and House begin a fresh round of debate over how to modernize Medicare, the federal health insurance program for the elderly.

Even as the question of how to preserve the Social Security system has gained prominence, Medicare poses the more imminent fiscal problem and is moving in Congress at a faster pace. Leaders of both chambers have said they are eager to revamp the health insurance system this year, and Senate Finance Committee Chairman Max Baucus (D-Mont.) is encouraging the panel to reach agreement on legislation before Congress begins its month-long August recess.

Administration officials said they made a tactical decision to issue what Bush called a "framework" of eight principles, instead of a nuanced legislative proposal, reasoning that it was the most conciliatory way to spur Congress's work on an issue that has proven highly polarizing in the past. Thus, the president did not mention how much money the extra benefits might require or specify how he would keep the program solvent. And he offered fewer details on how to design prescription drug coverage than he did during last year's presidential campaign.

The principles represent a departure from GOP thinking about Medicare of the last few years. Many Republicans have argued that elderly Americans -- and the program's long-term financial health -- would be better off if more people enrolled in private health plans that competed for their business. Bush said yesterday he believed in such market competition too.

But he did not look entirely to the private sector. Acknowledging public antipathy toward managed care and the fact that health plans recently have dropped out of Medicare, the president also proposed substantial improvements in the traditional "fee-for-service" version of the program, the part traditionally favored by Democrats.

His principles, and an accompanying 18-page White House document describing the rationale behind them, say that fee-for-service Medicare should become more like private health insurance for younger Americans. "Medicine is constantly improving. Medicare must keep pace," Bush said during a morning ceremony in the Rose Garden.

Perhaps mindful that Republicans have been stung in the past by their efforts to redesign one of the nation's largest and most popular entitlement programs, Bush largely sidestepped the difficult question of how to

preserve the program for the future as its expenses grow. He said that the program's "funding structure doesn't make sense," and recommended changing the way its solvency is measured by welding the parts of the system that have paid for hospital stays and doctor visits. But he did not mention any painful ideas, advocated by some policy analysts, such as cutting benefits, raising the eligibility age or making affluent elderly people pay more for their care.

In fact, he emphasized that current Medicare patients and those who soon will turn 65 will be allowed to select the traditional version of the system "with no changes," if they prefer.

The president and senior aides acknowledged that, even if Congress adopts legislation this year, fundamental changes to the program would take a few years to put into place.

To help older Americans with drug costs in the meantime, Bush, as expected, announced that the government will work with private companies to offer every Medicare patient a pharmacy discount card. The White House said the plan can be implemented by the Department of Health and Human Services by January without congressional approval. It will rely on companies that manage pharmacy benefits to negotiate discounted prices with pharmaceutical manufacturers and drugstores, then pass on the savings to elderly people.

The chief executives of five such companies, known as pharmacy benefit managers, attended this morning's ceremony. Afterward, they said they would collaborate with the government to create the discount card plan. They acknowledged that it probably would require pharmacists and drug manufacturers to accept lower payments for the medicine they sell to the elderly, but said they would get increased sales in return.

The pharmacy discounts have quickly emerged as the focal point of criticism of Bush's ideas for Medicare. It has been denounced by organizations representing pharmacists, consumers' advocates and congressional Democrats. Yesterday, Senate Majority Leader Thomas A. Daschle (D-S.D.) called the discount cards "the storefront promise of yet another gimmick."

Among the principles Bush set forth, one of the most technical but profound would change the basic structure of Medicare since its beginning, in which hospital stays have been funded separately from "outpatient" care. Patients who have been hospitalized have had to pay an annual "deductible" of \$800, while those who use other services have paid a deductible of only \$100. Under the White House proposal, people would pay just one deductible, no matter what kind of care they used.

Previous congressional budget estimates have said that arrangement would require all Medicare patients to pay perhaps \$400. "The reality is, at least in the short term, you are going to be raising costs on more people than you are helping," said John Rother, chief lobbyist for the AARP.

In another principle, Bush indicated he was sympathetic to complaints of overregulation by doctors, hospitals, insurance companies and other providers of care to Medicare patients. For the last few years, groups representing those providers have lobbied Congress, with some success, to increase the payments they receive. This year, they have largely shifted strategy, urging the program to ease its regulations.

Yesterday, Bush did not mention the issue aloud. But one of the principles in the accompanying document distributed by the White House says that "regulations and administrative procedures should be updated and streamlined." The document does not say how that should be done.

A complete text of the Medicare plan can be viewed at

www.washingtonpost.com.