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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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January 31, 2006

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REJECT THE RECONCILIATION SPENDING BILL'S GIVEAWAYS TO HMOs AND DRUG COMPANIES

Dear Colleague:

As reported on January 24, 2006, in the *Washington Post*, a dark-of-night deal on the Reconciliation spending bill provided a \$22 billion windfall for HMOs, allowing them to continue to overcharge Medicare for the patients they serve. This very same legislation takes three-quarters of the required cuts directly from poor children and their families, pregnant women, the elderly, and people living with disabilities.

The Republican Conferees had a choice for how they could achieve their budget targets, and they chose to benefit their friends. The House bill was an attack on working families – slashing \$25 billion over ten years from their healthcare coverage while taking nothing away from the HMOs and the pharmaceutical industry. But the Senate bill did not raise healthcare costs for working families or take away their health care.

Instead, the Senate bill saved \$36 billion over ten years by eliminating Medicare overpayments to HMOs in two significant ways, and another \$10 billion by cutting Medicaid drug costs. First, it stopped the Medicare HMOs from making their patients appear sicker than they were, and resulting in Medicare overpayments of \$26 billion over ten years, according to the Congressional Budget Office. Second, the Senate bill eliminated a \$10 billion discretionary fund that Medicare would use to entice HMOs to serve beneficiaries, despite the fact that Medicare already pays more to HMOs than under traditional fee-for-service Medicare. Third, the Senate bill also included provisions that reduced the price the Federal Government and State governments pay for prescription drugs in Medicaid through a rebate yielding \$10 billion in savings.

When the Senate Republicans negotiated with the House Republicans in the dead of night in a secret session with no Democrats allowed in the room, the insurers and pharmaceutical companies won. The conference report only includes \$4 billion in savings from HMOs and saved pharmaceutical companies from \$10 billion in cuts.

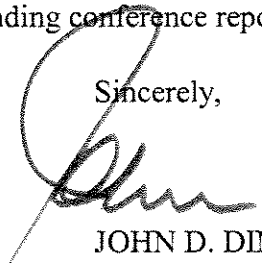
And families lost. To make up for some of the loss of \$32 billion in savings from HMOs and \$10 billion from drug companies, the conference report would, for the first time, allow States to impose significant costs on working families with sick children and cut their benefits. For example, a State could charge a poor child 20 percent for the cost of physical therapy or asthma treatments. The sicker you are, the more you will pay. Unfortunately, these American families are least able to pay and their children will end up going without needed health care. According to CBO, the reconciliation bill includes a staggering \$16 billion in cuts from increased cost sharing and reduced benefits.

The Reconciliation bill also harms seniors and those with disabilities. It would create a hardship for Americans needing long-term care to qualify for Medicaid and in some instances it will force them to forfeit their home in order to pay for long-term care services. For those who do not want to go into a nursing home and would prefer to stay in the community, this bill will make that harder by forcing people to be on waiting lists to get services and in some cases they will lose the personal care services they now have. According to CBO, the reconciliation bill includes \$6.3 billion in cuts to seniors and Americans with disabilities needing long-term care.

Fortunately, the House of Representatives has an opportunity to stop this special interest legislation. When we vote on this bill tomorrow, Members will have a clear choice: impose heavy burdens on those who are least able to pay, or reduce spending for the special interests so ably represented by their lobbyists during the secret session.

Reject the Reconciliation spending conference report.

Sincerely,

A handwritten signature in black ink, appearing to read 'John D. Dingell', written over a large, stylized circular flourish.

JOHN D. DINGELL
RANKING MEMBER