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ONE HUNDRED NINTH CONGRESS

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December 22, 2005

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The Honorable Mark B. McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services
Hubert H. Humphrey Building
Room 443-G
200 Independence Avenue, SW
Washington, DC 20201

Dear Dr. McClellan:

I am writing regarding your release today of information on enrollment in the new Medicare prescription drug program.

The release is entitled *More Than 21 Million Medicare Beneficiaries to Be Covered for Prescription Drugs As of January 1, 2006*, and in the release you state that there are "more than 21 million participating in coverage." Your press release also states that just over one million beneficiaries have signed up for the stand-alone drug coverage.

These statements raise several serious questions about the extent to which the program is functioning as planned. I am concerned that the complex and confusing benefit may well be resulting in enrollment figures that are dramatically lower than anticipated. I am also concerned that the statements may mislead the public by failing to note that the vast majority of the 21 million Medicare beneficiaries that you claim are "participating" in coverage would retain drug coverage even if the new Medicare drug benefit did not exist.

Your release states that after one month, approximately one million beneficiaries have signed up for stand-alone drug coverage — only 10% of the estimated ten million that CMS predicted would sign up for the benefit. You further estimate that an additional 500,000 beneficiaries are expected to be enrolled by the end of January. To reach the CMS estimate of ten million participating beneficiaries, enrollment would have to increase by over 600% over the next six months.

Your release states that 6.1 million "dual-eligible" beneficiaries will participate in the program. But these seniors already receive benefits through the Medicaid program. Moreover,

numerous reports have indicated that these beneficiaries may face cost increases and cutbacks in coverage when they are switched from the current Medicaid coverage to the confusing private coverage under Medicare.¹

Finally, your release describes 4.4 million Medicare advantage plan participants, plus approximately ten million private, military, or federal government retirees who are “participating” in the new Medicare drug benefit. But the vast majority of these beneficiaries will simply be retaining their existing coverage. Employer costs for this coverage will be subsidized by the federal government under the new Medicare prescription drug plan. But the extent to which retirees are gaining benefits from this multibillion dollar employer subsidy is unclear.

I hope that you can clarify these issues by providing a response to the following questions:

1. Of the 21 million beneficiaries you describe as “participating” in the Medicare drug benefit, approximately how many would have drug coverage outside of the benefit?
2. You have estimated that one million beneficiaries have enrolled in the stand-alone benefit, with an additional 500,000 expected by the end of January. Are these monthly figures above or below CMS estimates of anticipated enrollment? Please provide CMS estimates of the month-by-month anticipated enrollment in the Medicare drug benefit through June 2006.
3. You describe 6.1 million dual-eligible beneficiaries who are “participating” in the new Medicare drug benefit. How many of these beneficiaries are not presently covered by the Medicaid program? Please provide CMS estimates of the number of beneficiaries who will face cutbacks in coverage or reduced costs as they are switched from Medicaid drug coverage to Medicare drug coverage.
4. You describe 4.4 million Medicare advantage plan enrollees who are participating in the coverage. Please provide an estimate of how many of these enrollees already have drug coverage, or would retain coverage in the absence of the Medicare drug benefit.
5. You describe 10 million retirees with existing coverage as program participants. But the sole way in which these retirees participate is via subsidies of their employer. The benefits these beneficiaries derive from the employer subsidies are unclear. Please

¹ See, e.g., *Lawsuit Seeks To Guarantee Coverage In Drug Shift*, New York Times (Nov. 15, 2005).

The Honorable Mark B. McClellan, M.D., Ph.D.

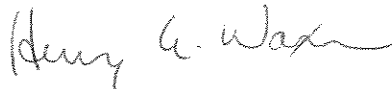
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provide an estimate of the number of these beneficiaries who would have no coverage in 2006 in the absence of the employer subsidies. In addition, please provide an estimate of the number of employers who will drop coverage or switch beneficiaries from private retiree coverage to the Medicare drug benefit in 2006.

American taxpayers will spend over \$500 billion on the Medicare drug benefit program over the next ten years. The enrollment figures you provided today indicate that the complicated and confusing nature of the benefit may be resulting in lower-than-anticipated enrollment. I hope that your answers to my questions will provide more clarity on the extent to which the Medicare drug benefit is helping seniors.

Sincerely,

A handwritten signature in cursive script that reads "Henry A. Waxman".

Henry A. Waxman
Ranking Minority Member