



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Addresses Medicare Prescription Drug Congress

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and a principal author of the *Medicare Modernization Act* establishing a prescription drug benefit for Medicare beneficiaries, today spoke at the Second National Medicare Prescription Drug Congress, www.medicarecongress.com. His session was entitled “Congressional Intent Regarding the Implementation of the New Medicare Prescription Drug Program.” A copy of his speech follows.

Good morning. Thank you for the invitation to be with you today. I’ve been asked to comment on the new Medicare prescription drug benefit, and I’m happy to do that. But before I do so, I thought I’d take a few minutes to update you on Senate consideration of the reconciliation bill. The bill is on the floor as we speak. This bill is the product of months of hard work. This began earlier this year with the passage of the budget resolution and the directions to various Committees to achieve specific levels of savings. The Finance Committee was directed to achieve \$10 billion in net savings in programs within its jurisdiction. So that would include Medicaid, Medicare, and S-CHIP, among others. Now I know that some members on the other side of the aisle oppose the Finance Committee’s package. However, without taking the steps we’re taking now, the very programs that my colleagues so strongly believe in probably would be unsustainable not only for the federal government, but also for states.

When I started this process, I was working toward a bipartisan package. Both parties produce strong products when we work together. Unfortunately, my Democratic colleagues decided they no longer could be a part of the process. That’s unfortunate, because the final package is very strong. The spending reductions do not touch beneficiaries. Let me repeat that – they do not touch beneficiaries. The Medicaid spending cuts focus on waste, fraud and abuse and closing some loopholes. They also include pharmacy payment reforms that have long been called for by the Inspector General, among others. We’re putting the savings from these changes back into Medicaid.

The bill includes funds to address state shortfalls with the S-CHIP program. It expands Medicaid benefits through the Family Opportunity Act. This means parents of severely disabled children can go to work and earn above-poverty wages while keeping vital services for their children. We also included a \$1.8 billion down payment to help meet the health care needs of low-income families affected by Katrina. On doctors, we provide for a 1 percent update to payments that were slated to fall by 4.4 percent next year. That could have had a negative effect on beneficiaries’ access to care. The package also has my bill with Senator Baucus – the Medicare Value-Based Purchasing

Act. The bill will improve incentives under Medicare to provide high quality, efficient care. We expect to complete debate on the package later today and vote tomorrow. Again, this is a solid package. It meets the target in a way that will help, not hurt beneficiaries.

Now on to the Medicare prescription drug benefit. We're just two weeks away from the start of the six-month open enrollment period for the new drug benefit. It's an exciting time. And it's been exciting to watch the drug benefit unfold. We had the issuance of applications. Then the submission of bids, the announcement about premiums, the announcement of available plans, and the launch of the Medicare plan compare website. I look back on the years it took for this day to come. We had many late nights and early mornings involved in developing the legislation, getting it approved in the Senate, through conference, and to the President for signature. As my staff would say, somewhat in jest, after an especially long day, "Good times." But I know, and my staff would be right with me, all kidding aside, that those "good times" were well worth it. In two weeks, beneficiaries will have the chance to enroll in the first-ever voluntary Medicare prescription drug benefit. For our nation's Medicare beneficiaries, it really is a good time. It's a time when beneficiaries who before had to make impossible choices between rent, food, and outpatient drugs can get affordable coverage. It's a time when beneficiaries with low incomes will receive additional financial help such that 85 to 98 percent of their drug costs will be covered. An estimated 14 million beneficiaries – about one-third of all beneficiaries – are eligible for this help. It's a time when employers – who in recent years reduced coverage – can receive a subsidy to help them maintain their important retiree prescription drug benefits.

Now, you asked me to talk about Congress' intent in implementing the Medicare prescription drug benefit. The credit for implementation lies with the Centers for Medicare and Medicaid Services. The CMS staff worked hard to bring this benefit to seniors and those with disabilities. Since Medicare's inception, prescription drugs have assumed an critical role in treating conditions and improving quality of life. Seniors are among the group who can most benefit from prescription drugs, yet many of them didn't have coverage. We're all aware of the heartbreaking stories about those who can't afford their medications or who split doses to make their pills last longer. To me and others, that situation was wholly unacceptable. So at the simplest level, I think congressional intent is abundantly clear – we wanted to make a prescription drug benefit available to Medicare beneficiaries.

But in addition to that fundamental goal, we wanted to ensure a number of other things. We wanted beneficiaries to have choice of plans, not a one-size-fits-all plan. We wanted them to have important protections, including access to the drugs they need most and to their local neighborhood pharmacy. We wanted them to have affordable options. This is important not only for them, but also for all taxpayers. And affordability is crucial to the program's long-term sustainability. In crafting the legislative language, we took pains to make sure we'd meet these objectives. We required plans to cover at least two drugs in specific therapeutic categories. CMS further required that plans cover all or substantially all drugs in six other categories of drugs commonly prescribed to beneficiaries. Now beneficiaries will have a choice of plans with robust formularies – in some cases covering 97, 98, or 99 of the top 100 drugs used by beneficiaries. On affordability, the average beneficiary premium is about \$5 less than expected. The government's cost is about \$15 less per beneficiary. That will translate into billions of dollars in savings.

And on choices – beneficiaries will have a number of choices. I understand that for some

people, that can be a little overwhelming. It's no picnic to sort through the fine print for health insurance. It even may rank among the most unpopular and complicated responsibilities of American adulthood, like deciphering your tax return by April 15th every year. But there are a number of resources for beneficiaries. The State Health Insurance Information Programs that operate in each state have volunteers that can offer beneficiaries one-on-one counseling. Beneficiaries can call 1-800-Medicare or visit the Medicare website to learn more about plans available in their area. CMS has worked to develop a broad network of community-based organizations nationwide that also can help beneficiaries, their families, and caregivers learn more about the benefit and make decisions. Also, I like to mention the Access to Benefits Coalition because not all of its members supported every aspect of the drug law. But they've put their differences aside to help beneficiaries – especially those with low-incomes – enroll in the benefit. And one last thing I want to point out is that beneficiaries have six months to make a choice. They don't need to make a snap decision.

I know I'm painting a pretty rosy picture of the implementation, but as well we all know there have been some rough spots. With any program of this magnitude, there are bound to be some glitches. While it's often easier to dwell on the negative, I hope we can get beyond that. The Medicare program is on the cusp of the most sweeping improvements since its inception. Our nation's beneficiaries deserve this benefit and have waited long enough. I'm proud and grateful, to have had the chance to be a part in it. And I look forward to more "good times" for Medicare beneficiaries. Thank you, and I'll be glad to take your questions.