

UNITED STATES SENATE COMMITTEE ON FINANCE

For Immediate Release

Wednesday, Jan. 28, 2004

Grassley, Baucus Seek Full Funding for Beneficiary Education, Program Integrity Under New Medicare Law

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, are asking the Health and Human Services secretary to dedicate funding to two important functions: educating Medicare beneficiaries about their new program options and making sure the new programs receive full scrutiny to prevent waste, fraud and abuse.

The new Medicare prescription drug and improvement law gives the Centers for Medicare and Medicaid Services \$1 billion for fiscal years 2004 and 2005 to implement this landmark legislation. Grassley and Baucus asked Health and Human Services Secretary Tommy Thompson to direct part of the \$1 billion to State Health Insurance Assistance Programs, which offer cost-effective beneficiary education, counseling and outreach services throughout the nation, and to the Health and Human Services Office of Inspector General, which promotes program integrity and deters and fights program fraud and abuse.

The text of the senators' letter yesterday to Thompson follows.

January 27, 2004

The Honorable Tommy Thompson
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Secretary Thompson:

As the Department of Health and Human Services (HHS) undertakes the formidable task of implementing the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act), we urge you to ensure that adequate resources are provided to support beneficiary education initiatives and program integrity efforts. Both are critical priorities given the substantial changes that will be made to the Medicare program over the next two years.

Specifically, we expect that substantial additional funding be provided to State Health Insurance Assistance Programs (SHIPs), which offer cost-effective beneficiary education, counseling and outreach services throughout the nation, and to the HHS Office of Inspector General (HHS OIG), which promotes program integrity and both deters and fights program fraud and abuse. We believe that the SHIPs and the HHS OIG must receive substantially increased funding in the next two fiscal years and have a robust role in implementing the Act if we are to ensure that Medicare beneficiaries receive all of the benefits and protections that Congress intended this legislation provide.

In recent years, the 1,300 local SHIP offices around the country have provided information, referrals, and counseling to Medicare beneficiaries on a wide range of health access and insurance matters. SHIPs directly serve nearly 3 million beneficiaries per year and distribute education materials to millions more. The enactment of the Medicare prescription drug benefit and the Medicare Advantage program increases the need for beneficiary counseling and information. In the next two years, virtually every Medicare beneficiary will have to make critical decisions about their health care coverage and will have to learn how to evaluate Medicare Advantage plans, stand-alone prescription drug plans, formularies and cost-sharing requirements, how to enroll in new low-income programs, and how to select a discount card. In addition, low-income beneficiaries will need help in determining whether or not they are eligible for subsidy programs and how to apply for them. Beneficiaries who are presently enrolled in State Pharmacy Assistance Plans or Medicaid programs will have to learn how Medicare coverage will coordinate with or replace their existing coverage. The need for effective counseling and outreach programs is urgent.

Similarly, the need for a proactive, well-run and well-funded Office of Inspector General has never been more critical. The Act opens entirely new avenues of federal funding; establishes new competitive contracting procedures; provides billions of dollars in funding for local and regional private plans; develops new means-tested and income-related benefit and premium structures; and includes billions of dollars of subsidies to employer prescription drug plans and new Prescription Drug Plans. There is an overwhelming need for effective oversight, audits, evaluations and, where appropriate, investigations of these new programs and contractors. Under current law, funding for the Office of Inspector General is not slated to increase sufficiently to allow the Office to handle its new responsibilities in implementing and overseeing the Act, while at the same time maintaining its current enforcement, investigative and evaluative activities.

We were disappointed that neither section 606 of Senate Bill 1, which would have ensured increased funding for SHIPs, nor section 611, which would have increased funding for the Office of Inspector General, were enacted in the final Medicare bill. But we note that all mandatory appropriations for implementation were consolidated into a single provision of the final bill, section 1015, which provides the Centers for Medicare and Medicaid Services with one billion dollars for fiscal years 2004 and 2005 to implement this landmark legislation.

We believe that increased funding for SHIPs and the Office of Inspector General must be made available out of the one billion dollars set aside for implementation costs (or out of funds made available to the Department as a result of the one billion dollar earmark). Specifically, we expect that SHIPs receive at least 41 million dollars in each of 2004 and 2005, or approximately one dollar per beneficiary per year, to enhance their capacity to provide counseling and education to all

Medicare beneficiaries. We also expect that the Office of Inspector General receive an increase in funding over current levels of at least 15 million dollars in fiscal year 2004 and 25 million dollars in 2005 to allow it to address the new oversight challenges posed by the new legislation.

We also request that you provide us with detailed information setting forth how HHS plans to allocate and spend the funds provided through section 1015. When preparing this information, please be sure to identify each program by name, specify the amount of funds allocated by activity, and provide time frames and the rationale for the distribution proposed. Please provide us with this information by February 10, 2004, and please update the report on at least a quarterly basis through the end of the fiscal year 2005.

We should note our expectation that the Committee on Finance will engage in active oversight on the use of section 1015 funds throughout the funding period, and we look forward to a continuing dialog on program funding priorities.

Thank you very much for your attention to these crucial matters, and if you or your staff have any questions, please feel free to contact our staff.

Sincerely,

Max Baucus
Ranking Member

Charles E. Grassley
Chairman