

Committee on Ways and Means

H.R. 1 Incorporated Conservative Reforms

H.R. 1 delivered an overdue prescription drug benefit at a reasonable price.

H.R. 1 delivers a prescription drug plan within the \$400 billion agreed to by the House and the Senate. Democrats' alternative would have cost nearly three times that \$400 billion limit. Plus, integrating prescription drugs into Medicare will save money over the long-term because prescription drugs treat and prevent illness, often replacing more invasive and expensive procedures.

H.R. 1 provides the most efficient prescription drug delivery structure according to CBO because the structure relies on private sector competition and choice.

By exempting prices negotiated for Medicare beneficiaries from Medicaid's price control structure, H.R. 1 encourages greater discounting by pharmaceutical manufacturers, saving seniors and taxpayers billions. In addition, Hatch-Waxman reforms accelerate cheaper generic drugs to the market benefiting seniors and all consumers.

Private plans will thrive in Medicare because the pay structure is fundamentally changed.

Health plans will now be paid on their bids rather than arbitrary administered prices. The CMS Actuary predicts more than 40 percent of seniors will enroll in private plans.

In certain areas of the country, traditional Medicare will directly compete with private plans in 2010, demonstrating private plans' ability to hold down costs and deliver higher quality care.

In this demonstration project, seniors are protected from possible volatility with a 5 percent cap on increased premiums. If the demonstration is successful, it can be expanded nationwide. Demonstration projects can work. This year competitive bidding demonstration projects for durable medical equipment (oxygen, wheel chairs etc.) were made permanent in H.R. 1.

Seniors will shoulder more of Medicare's costs to better reflect the intended cost-sharing between seniors and taxpayers.

- *H.R. 1 decreases subsidies to Part B premiums for higher income seniors who can afford to pay more. The 5 percent of seniors with incomes above \$80,000 will pay a*

greater share of their health care costs. The Part B premium when enacted paid for nearly 50 percent of a senior's costs. Today, the senior's premium only covers 25 percent of their costs.

- *For the first time in Medicare's history, the Part B deductible is indexed to Medicare's costs. When Medicare was enacted, this deductible comprised 45 percent of costs; today it just reflects 3 percent of those costs. Every year it was not adjusted resulted in increased obligations for the taxpayer.*

Health Savings Accounts are now available without any restrictions.

HSAs ensure individual control of health care dollars. HSAs are the only tax vehicle that permits individuals to set aside money tax-free, allow it to grow tax-free, and be withdrawn tax-free. HSAs will revolutionize long-term care for seniors and help all uninsured Americans.

Medicare's bureaucracy is completely reorganized.

Contractors must be bid competitively. Providers are given opportunities to appeal decisions and get a more responsive government. Those at CMS operating the government-run plan will not regulate competing private plans.