

# **New Medicare Reform Bill - A Quick Review**

By **Gordon Lore**

**I**n the most sweeping reform of the Medicare program since it was signed into law in 1965 by the late President Lyndon B. Johnson, both houses of Congress have narrowly approved the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. President George W. Bush said he would soon sign the act into law.

The new act will provide, for the first time, a prescription drug benefit for Medicare beneficiaries, including dialysis and kidney transplant patients, who are 65 years of age or older. The act was passed following bitter debate among Democrats and Republicans. While Senate Majority Leader Bill Frist (R-TN) said the bill "preserves traditional Medicare," Senate Democratic Leader Tom Daschle said it was "a bailout for the HMOs and insurance companies." Also, the most widely discussed part of the \$395 billion legislation, the prescription drug benefit for senior citizens, will not go into effect until 2006, and there are restrictions.

## **Prescription Drug Benefit**

**S**tarting in 2006, the new act will enable seniors to buy limited coverage of their prescription medications. The insurance premiums would be \$35 a month, with a \$250 deductible. Three-quarters of the costs of drugs will be covered until those costs reach \$2,250. Then there would be no prescription drug coverage until the beneficiary's out-of-pocket expenses reached \$3,600, or about \$5,100 in overall medication expenses. Drug expenses

above that level, however, would be covered at approximately 95% of costs.

There will also be subsidies for low income seniors. Starting next year, seniors can also purchase a Medicare-sponsored discount drug card for around \$30 a year. While the Bush administration said the card would be a savings of 15%-25% off the retail drug price, Democrats said the numbers were "wildly inflated."

### **Other Provisions**

**O**ther provisions of the bill include:

- An additional \$25 billion for hospitals located in rural areas and other healthcare providers;
- A limited program of competition between the traditional Medicare plan and private healthcare plans, starting in 2010; and
- Tax-preferred health savings accounts for those who buy health insurance policies with high deductibles.

### **The Dialysis/ESRD Factor**

**P**rovisions relating to dialysis and End-Stage Renal Disease (ESRD) include the following:

- While there will be no composite rate increase for 2004 or 2006, there will be a 1.6% increase in 2005;
- The Inspector General is directed to conduct two studies on erythropoietin (EPO) and other ESRD drugs;
- Beginning in 2005, the Secretary of the US Department of Health and Human Services (HHS) will establish a case-mix adjusted prospective payment system;

-That same year, the HHS Secretary is mandated to provide a bundled prospective payment system for ESRD services report; and

-Beginning in 2006, there will be a three-year demonstration project for a bundled case-mix adjusted payment system for ESRD services.

## **Conclusion**

Senator Edgar M. Kennedy (D-MA) and other Democratic senators said passage of the legislation was "a sad day" for Medicare's beneficiaries. The bill, they remarked, would encourage the more healthier, younger beneficiaries to join health maintenance or preferred-provider organizations subsidized by the government. This, opponents say, would further shrink the traditional program, leaving sicker, older seniors to pay increasingly higher premiums.

Democrats vowed to fight on, saying the bill has a provision prohibiting Medicare from directly negotiating lower prices with drug companies. Therefore, the bill would do nothing to lower the high drug prices. President Bush, however, said that "modernizing Medicare will make the system better and will enable us to say to millions of seniors, 'we've kept our promise to America's seniors.'"

## **About the Author:**

**Gordon Lore** is Editor of Nephrology **INCITE**, an online publication of *iKidney.com*, and an editor/writer for Hartwell Communications, Inc., Glendale, CA. For 10 years, he was the editor of *Contemporary Dialysis & Nephrology* and *For Patients Only* magazines.