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Breaux-Thomas Medicare Plan: Subsidies for Drug Firms and HMOs; Cutbacks and Cost Hikes for Patients and Taxpayers

Consumer Group Calls for Price Caps on Prescription Drugs Purchased Under Medicare

The new plan for the Bipartisan Commission on the Future of Medicare, released March 15, 1999, by Co-Chairs Senator John Breaux (D-LA) and Bill Thomas (R-CA), would fatten profits for pharmaceutical and managed care companies while cutting back benefits for and increasing costs for the seniors and people with disabilities who rely on Medicare for their health care, Public Citizen said today.

"This plan would be a big win for pharmaceutical and HMO stockholders and CEOs, who would reap windfall profits through turning Medicare into an HMO-voucher program with 'high option' prescription drug schemes, rather than making prescription drugs an integral benefit under the Medicare program," said Sidney M. Wolfe, M.D., Director of Public Citizen's Health Research Group.

"Real Medicare reform requires making outpatient prescription drugs a covered Medicare program benefit for all beneficiaries," Wolfe continued. "The only way that would be affordable - and thus the only way it can happen - is with tough government price caps, so that taxpayer dollars are not poured into the bottomless pit of pharmaceutical company profits. It's cowardly - and duplicitous - to call a plan that won't stand up to the drug industry and stand up for beneficiaries 'Medicare reform.'"

"Commissioners who reject this HMO industry siren song are to be commended," Wolfe concluded. "It's perhaps no accident that pharmaceutical and health insurance industry contributions favor supporters over opponents of the plan by a 10-1 margin."
[Figures attached]

In addition to the failure to make outpatient prescription drugs an affordable Medicare program benefit with price caps, Wolfe charged that the proposal to raise the age of eligibility would be disastrous for millions of retirees and that the market-based approach would virtually privatize the system and result in severely limited coverage.

Ralph Nader, Founder

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* **Raising the eligibility age from 65 to 67** - This would save very little money, since under current federal law employer-paid insurance provides primary coverage for those under 70 - but it would add to the ranks of the 43 million Americans without health insurance

* **Turning over to the market how 39 million of the most vulnerable Americans get their health care would mean:**

Ending the Medicare entitlement - The co-chairs' plan ends the Medicare program's basic guarantee that the government will pay a fixed percentage of the costs for a defined set of benefits. Instead, the government's payment per person - whether they opt to stay in the fee-for-service program or go into an HMO - would be capped at 88% of the average of the private plan premiums.

Fee-for-service program will become unaffordable for all but the wealthy - If sicker people, with more costly health care needs, try to stay in the traditional Medicare fee-for-service program, the individual's share of the premium will rise rapidly - making traditional Medicare an "option" only for those who are wealthy enough pay the higher costs.

Default to "barebones" HMOs for all except the better off financially - The plan provides that HMOs with premium costs less than "about 85 percent" of the national weighted average will charge beneficiaries *no* premium. Those able to pay *higher* premiums can select plans with benefit packages that cost more than the average by paying extra.

The likely result of the "market experiment" will be a two-tier Medicare program - 46% of elderly Medicare beneficiaries, and 60% of disabled, have total annual family incomes of less than \$15,000. More than 70 percent of the elderly, and 75 percent of disabled, have less than \$25,000 a year to live on from all sources. "Market" mechanisms will turn Medicare into two programs: barebones for the "have nots" - which includes the vast majority of beneficiaries - and "extras" for the "haves."

- Senate and Congressional members of the National Bipartisan Medicare Commission received a **total of \$745,000 from the pharmaceutical and health services industry** -- \$448,000 from pharmaceuticals interests and \$297,000 from the health services industry. these totals include contributions to Senators over the last six-year election cycle (1993-1998) and contributions to House members in the 1997-1998 cycle.
- Contributions to members of the Medicare Commission from these industries went overwhelmingly to members supporting the Breaux plan. Of the total \$745,000 contributed by these two industries, **\$686,000 (92%) went to those supporting the Breaux plan**, while **those opposing the Breaux plan collected just \$59,000 (8%)**.
- Pharmaceutical interests contributed a total of \$448,000 to Members of the Commission -- \$397,000 (89%) to those supporting the Breaux plan and \$51,000 (11%) to those against. The Health Services industry contributed a total of \$297,000 -- \$289,000 (97%) to those supporting the Breaux plan and just \$8,000 (3%) to those opposing the Breaux plan.

PAC and Individual Campaign Contributions to Senate and Congressional Members of the Medicare Commission*			
	Pharmaceutical Industry	Health Services Industry/HMOs	Total Amount
Senator John Breaux	\$66,000	\$66,000	\$132,000
Senator Bill Frist	\$160,000	\$76,000	\$236,000
Senator Phil Gramm	\$28,000	\$6,000	\$34,000
Senator J. Robert Kerrey	\$61,000	\$73,000	\$134,000
Senator John Rockefeller IV	\$6,000	\$5,000	\$11,000
Rep. Michael Bilirakis	\$34,000	\$13,000	\$47,000
Rep. John Dingell	\$37,000	\$2,000	\$39,000
Rep. James McDermott	\$8,000	\$1,000	\$9,000
Rep. Bill Thomas	\$48,000	\$55,000	\$103,000
Total	\$448,000	\$297,000	\$745,000

* Figures derived from Federal Election Commission reports and by the Center for Responsive Politics (www.crp.org). Figures for Senators include PAC and individual contributions over the last six-year cycle (1993-1998); figures for House Members are for the 1997-1998 election cycle. Health Services Industry includes all Health Maintenance Organizations (HMOs) and other outpatient health services.

PAC and Individual Campaign Contributions to Senate and Congressional Members of the Medicare Commission*			
	Pharmaceutical Industry	Health Services Industry/HMOs	Total Amount
Supporting Breaux Plan	\$397,000	\$289,000	\$686,000
Opposing Breaux Plan	\$51,000	\$8,000	\$59,000
Total	\$448,000	\$297,000	\$745,000

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