

REP. PETE STARK (CA)

SENIOR DEMOCRAT

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SEN. JEFF BINGAMAN (NM)

108TH CONGRESS

Congress of the United States
Joint Economic Committee

Democrats

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.senate.gov/~jec/democrats

WENDELL PRIMUS
STAFF DIRECTOR

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Contact: Nan Gibson

202-224-0377

**INDEXING EFFECT OF MEDICARE PRESCRIPTION DRUG BILL
SHIFTS COSTS TO BENEFICIARIES OVER TIME**

Washington, D.C. – **Rep. Pete Stark** (D-CA), Senior Democrat on the **Joint Economic Committee (JEC)**, today released a new report, *“The New Medicare Prescription Drug Act: Indexing Effect Erodes Benefit.”* (The full report is available at <http://www.jec.senate.gov/democrats>.) The report exposes a little-noticed provision in the Republican prescription drug bill that greatly devalues the drug benefit relative to the income of beneficiaries over time by indexing all of the cost-sharing components to the rise in prescription drug costs. This policy will shift costs to Medicare beneficiaries at a rate far exceeding inflation.

“The Republican Medicare prescription drug bill has a myriad of problems that erodes the value of Medicare to seniors and the disabled in the future,” Stark said. “Our report brings to light one particularly flawed provision that will dramatically shift drug costs to seniors over time.”

The JEC Democrats’ report highlights analysis from the Congressional Budget Office (CBO) showing how seniors and other beneficiaries are impacted by indexing most components of the drug benefit—including premiums, deductibles, the donut hole, and co-payments—to the growth in prescription drug prices. The result will be increases in cost sharing on the average of 7.4% to 8.6% each year from 2006 through 2013. This growth far exceeds the rate of inflation, which has averaged only 2.4% over the past 10 years. In addition, a provision in current law preventing low-income beneficiaries from experiencing a reduction in their Social Security checks (increases in Part B premiums cannot exceed increases in Social Security checks) was not included in the new law.

“Republicans chose to tie annual changes in beneficiary cost-sharing to the yearly growth in prescription drug prices. This factor is more substantial than other potential growth factors—much higher than general inflation. It will cause hardship for many of our most vulnerable beneficiaries who live on fixed incomes. If not changed, seniors and people with disabilities will see their cost sharing increases 78% between 2006 and 2013. The size of the donut hole alone balloons from an already unacceptable \$2,850 to \$5,066 by 2013,” continued Stark.

Beginning in 2006, Medicare beneficiaries enrolled in the new Medicare Part D drug benefit will pay an estimated average premium cost of \$420 per year. By 2013, CBO estimates that this average premium cost will escalate to \$696 per year. Yearly deductibles are expected to increase from \$250 to \$445 per year by 2013. The total amount of out-of-pocket spending required from beneficiaries before they reach a catastrophic-like threshold increases from \$3,600 in 2006 to \$6,400 in 2013.

“This report takes issue with only one flaw looming in the Republican Medicare bill while many others remain,” Stark said. “It makes it clear that this drug bill was more about giving Republicans political cover than providing affordable, meaningful prescription drug coverage to seniors and people with disabilities,” concluded Rep. Stark.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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