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Health Bill Would Cut Drug Spending for Many on Medicare, Budget Office Says

By [ROBERT PEAR](#)

WASHINGTON — [Medicare](#) beneficiaries would often have to pay higher premiums for prescription drug coverage, but many would see their total drug spending decline, so they would save money as a result of health legislation moving through the House, the [Congressional Budget Office](#) said in a recent report.

Premiums for drug coverage would rise an average of 5 percent in 2011, beyond the level expected under current law, and the increase would grow to 20 percent in 2019, the budget office said.

“However,” it said, “beneficiaries’ spending on prescription drugs apart from those premiums would fall, on average, as would their overall prescription drug spending (including both premiums and cost-sharing).”

Moreover, the budget office said, the drug-related provisions of the House bill would save the federal government \$30 billion from 2010 to 2019.

The estimates were set forth in a letter from [Douglas W. Elmendorf](#), the director of the Congressional Budget Office, to Representative Dave Camp of Michigan, the senior Republican on the House Ways and Means Committee.

Republicans have criticized the House bill on the ground that it would finance coverage for the uninsured, in part, by cutting hundreds of billions of dollars from projected Medicare spending, in ways that could adversely affect some beneficiaries. In response, Democrats have said the bill would help beneficiaries by narrowing and eventually eliminating a gap in Medicare drug coverage, informally known as a doughnut hole.

Nancy LeaMond, an executive vice president of [AARP](#), the lobby for older Americans, welcomed the report as evidence that “[health care reform](#) will lower drug spending.”

“Opponents of reform may use today’s projections to try to stall reform,” Ms. LeaMond said, “but we hope they will look at all the facts before jumping to a false conclusion.”

The House bill would require drug companies to provide larger discounts, or rebates, on medications dispensed to low-income people enrolled in both Medicare and [Medicaid](#). It would also require drug makers to provide 50 percent discounts on brand-name drugs in the doughnut hole, until the coverage gap was eliminated.

The budget office said premiums would increase, in part, because Medicare drug plans would have to provide additional coverage, paying some costs that beneficiaries now pay themselves.

“In return for those higher premiums,” Mr. Elmendorf said, “enrollees would receive greater protection against incurring high drug costs. As a result, beneficiaries’ spending on prescription drugs apart from the premiums would decrease, on average. That reduction in cost-sharing would outweigh the increase in premiums, again on average.”

But, Mr. Elmendorf said, the averages conceal the fact that beneficiaries would be affected in different ways.

Those who use a relatively small amount of prescription drugs would pay more in additional premiums than they would save, he said, while those who use a large amount of drugs “would gain more from lower cost-sharing than they would pay in higher premiums.”

The budget office did not estimate how many Medicare beneficiaries might see an increase in their spending for prescription drugs and drug coverage, and how many would see a reduction, under the House bill. Mr. Camp said “the vast majority of seniors” would pay more, and he said House Democrats should scrap their bill and “start over with open, bipartisan talks.”