Effect of drug plan in doubt

Medicare program may cut coverage, raise cost for some

By David Kohn
Sun Reporter

November 13, 2005

Like many older people, Nanna Harper depends on medication to keep her healthy. She takes pills for high blood pressure, diabetes, dizziness and other conditions. She has health insurance through the state, but it pays only part of the cost of her pills.

The 71-year-old retired seamstress from Middle River spends between $200 and $300 a month on medicine - about half of her income. To save money, she often takes only half the required dose.

Harper hopes that her pill-cutting days will end on Jan. 1 when the federal government begins offering drug prescription coverage for the nation's 42 million Medicare recipients. Starting Tuesday, they will begin making their choices among a wide range of plans being offered.

But for all the money the government will spend on this program - probably between $725 billion and $1 trillion over the next decade - strong doubts remain about its impact, including on the health of the elderly.

Many experts warn that the plan, known as Medicare Part D, has significant flaws. Some people may still find drugs unaffordable, and others, including the very poor, may end up with less coverage.

Even supporters acknowledge that the complexity of the program, which requires seniors to choose among dozens of competing options, may discourage people from signing up.

Whatever the program's benefits, critics say, billions of dollars will be wasted on inflated drug costs - funds that could be better spent on more comprehensive prescription drug coverage.

"This will do relatively little to enhance the well-being of Medicare recipients, far less than it should," Boston University professor Alan Sager, an expert on health care policy, said of the program.

But federal officials and groups that lobbied for the program say it will help older people.

Dr. Mark McClellan, director of the federal Centers for Medicare and Medicaid Services, which oversees the new plan, sees it as a preventative medicine program.
"Medicare has traditionally paid for treating complications after they happened," he said. "Now we are paying just as much attention to treatments that keep people from having complications in the first place."

Those most likely to benefit are the 8 million to 14 million seniors who have no prescription drug coverage. The group consists primarily of seniors who are not quite poor enough to qualify for Medicaid, the federal program that provides health care for the poorest citizens.

The maximum allowable income varies from state to state, but it is generally so low that many needy seniors aren't eligible. In Maryland, for example, a senior citizen must have an income below $7,081 to qualify for Medicaid.

Beyond this group, there are millions of seniors, such as Harper, who have skimpy drug coverage.

Although statistics are hard to calculate, researchers say that hundreds of thousands, perhaps millions, of elderly Americans must decide between eating, paying rent and buying medicine.

"There's lots of evidence that when senior citizens have problems in getting drugs, their health deteriorates," said Leighton Ku of the Center on Budget and Policy Priorities, a nonpartisan think tank in Washington, D.C. "The new plan will beef up coverage for a large number of people."

Yet doubts persist.

"You're not going to see longevity go up by even a 10th of a year [because of Part D]," said Johns Hopkins University professor Gerard Anderson. Overall coverage rates for seniors will remain essentially unchanged, even after Part D goes into effect, he says. Anderson believes the plan's primary effect will be financial: shifting the cost of buying medicine from private citizens to the federal government.

Many critics say that Part D could have done much more.

The chief complaint: the new plan is legally prohibited from negotiating with pharmaceutical companies to get lower drug prices. As a result, the federal government - and seniors - will pay billions of dollars more than they otherwise would have to for medicine.

"Given the taxpayer costs, the benefits of this are meager," said Robert Hayes, president of the Medicare Rights Center, a nonprofit group that analyzes Medicare and provides information to beneficiaries. "So much of the money is going to inflated drug costs and excessive corporate profits."

Critics also point out that most seniors who join Part D will still likely spend a significant amount of money on medicine. Costs will include monthly premiums, co-pays and deductibles.

The plan also includes a large gap in coverage, known as the "doughnut hole." Once total drug expenses reach $2,250 for the year, beneficiaries must pay the next $2,850 that they spend on drugs. Above that amount, the plan covers 95% of costs. A study by Anderson found that allowing the government to negotiate lower drug prices would save enough money to close this gap.

Many experts also worry that the program's complexity will keep seniors from joining, or confuse those who do sign up. Unlike other Medicare programs, which are administered by the government, the new drug plan will be run by private insurance companies, each of which is offering a range of plans. In some states, seniors will choose from more than a hundred options, which will have varying costs and coverage.

Some plans only cover certain drugs; some have limits on which pharmacies can fill prescriptions; some require enrollees to go through a "step process" in which they must try cheaper medicines before being allowed to take more expensive drugs.
"It's incredibly complex," said University of Maryland economist Bruce Stuart, who studies how health care policy affects prescription drug use. "The plans vary on many, many variables."

Harper, the retired seamstress, has already experienced this frustration. Over the past few weeks, she has gone to several lectures at senior centers around the area. Even so, she is still confused.

"I have gone to every talk on that. It's awfully complicated," said Harper. She says she will definitely sign up for the new benefit, although she isn't sure whether she will save money.

Others are harsher. "It's ridiculous to have a plan that people can't understand," said Shirley Fales, 71, a retired secretary who lives in Middlesex.

On a recent weekday, she sat in a ceramics class at the Essex Senior Center. All of those at her table nodded in agreement as she slammed the plan for being impossible to comprehend.

McClellan, however, says the plethora of plans will encourage competition, lower costs and also give beneficiaries more coverage options. "Medicare has a lot of different people to serve," he said.

But Stuart suspects that a significant number of seniors will be overwhelmed and simply won't sign up. He notes that relatively few people have signed up for drug discount cards, a federal program started in 2004 to help seniors pay for prescription medicine.

Of the 14 million eligible for the program, only 6.4 million have signed up - and more than half of them were automatically enrolled by the government.

Compared to the discount cards, Part D is "10 times more complicated," said Hayes. He thinks that millions will choose plans that are not in their best interest.

"[Part D] is a monster, and it is going to hurt a lot of people," he said. "It's frightening."

For some seniors, Part D may create other problems. Almost 6 million older Americans are poor enough to meet Medicaid requirements, and now get prescription drug coverage through that program. On Jan. 1, they will be switched to Part D.

Under Medicaid, senior citizens now pay almost nothing for medicines. In the new system, most will probably end up paying more. And Hayes worries that many in this group will inadvertently sign up for plans they cannot afford.

But seniors now in Medicaid face an even bigger predicament. Those who don't sign up on their own will be randomly placed into a plan, perhaps one that doesn't cover the drugs they need.

"The big problem is glitches that leave some of those folks without coverage," said Hayes. "If they get it 99 percent right, you've still got a Yankee Stadium full of people without drug coverage."

Even those who sign up for a plan on their own may wind up having trouble: 40 percent of seniors in Medicaid have some kind of cognitive impairment, such as stroke-related problems, Alzheimer's disease or another dementia. Critics say it is foolhardy to expect these people to successfully navigate such a complex program.

Another group that may not benefit: seniors who now get insurance through retiree health plans. Experts caution that in the wake of Part D, many companies will drop such coverage, forcing seniors to join the government's plan, which will likely be more expensive and less generous.
In recent weeks, for example, several companies, including General Motors, have announced that they will end or roll back health insurance.

To prevent this from happening, Part D provides financial incentives to companies that have retiree plans. But Stuart and others say that companies will likely be able to save more money by getting rid of retiree benefits. He expects that over the next few years, companies will increasingly do this.

"That would be a dark scenario," he said, noting that 40 percent of seniors now rely at least partly on such plans.

Overall, Stuart is optimistic that the plan will improve elderly health. But like almost every Medicare expert, he admits that it is too early to tell. The result, he says, depends on a set of complicated interdependent variables, including how many people sign up, which plans they choose, and whether costs go up or down in subsequent years.

"This will have all kinds of unintended consequences," he said. "It's a big natural experiment, in which almost anything can happen."

---

david.kohn@baltsun.com

For comprehensive coverage of Medicare changes, along with links to resources, visit
baltimoresun.com/medicare

Copyright © 2005, The Baltimore Sun | Get Sun home delivery