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Bill on Medicare Drug Benefit Is Stalled by House-Senate Republican Disagreement

By ROBERT PEAR

WASHINGTON, Aug. 26 — Congressional aides trying to write a bill providing drug benefits to millions of elderly people said today that their work had been stalled by growing disagreements and antagonism between the top Republican negotiators from the Senate and the House.

For the second day this week, aides to Senator Charles E. Grassley, Republican of Iowa, the chairman of the Finance Committee, boycotted talks on the prescription drug bill.

The aides said Mr. Grassley was distressed that House Republicans had refused to discuss certain major provisions of the Senate and House bills that would increase Medicare payments to hospitals and doctors in rural areas, including parts of Iowa.

The agenda for the talks was set by Representative Bill Thomas, Republican of California, the chairman of the Ways and Means Committee. Aides to Mr. Thomas are presiding over the talks.

Mr. Grassley and Mr. Thomas have had tense relations for several years. The tension flared in May, when they clashed over legislation cutting taxes. Mr. Grassley complained that Mr. Thomas, known for his sharp tongue, "ought to show a little more respect to a person of equal rank."

The House and Senate passed different versions of the Medicare bill in June. A 17-member conference committee is trying to iron out differences. Lawmakers have left town. Aides to the conferees have been working through August in hopes of achieving a compromise. But agreements have been elusive, even on issues listed as noncontroversial.

Christin Tinsworth, a spokeswoman for Mr. Thomas, said he too favored assistance to rural health care providers, but took "a more global view" of the legislation. Unfortunately, Ms. Tinsworth said, for the last two days, "Senator Grassley's staff was not at the table."

An aide to Mr. Thomas, clearly exasperated, said: "Senator Grassley did not even call Mr. Thomas to seek a remedy to his rural concern before he pulled his staff. There was no effort on Grassley's part to resolve the issue before his staff walked out."

A Senate Republican leadership aide said: "This is a decision that Senator Grassley made on his own. He and Mr. Thomas both have legitimate concerns. We hope this proves to be a minor bump in the road."

Mr. Grassley is running for re-election and has made clear that increasing payments to rural health care providers is a top priority.

The Des Moines Register, the state's largest newspaper, has published many editorials advocating an increase in Medicare payments to rural hospitals. But the editorials have criticized the underlying prescription drug bill as "worse than nothing," saying it "will offer little or no help for most seniors."

Senator Grassley and other lawmakers from rural states are seeking "geographic equity" in Medicare payments, but the issue is bigger than that. Mr. Thomas, on behalf of the House, is also trying to slow the growth in Medicare payments to hospitals. The Congressional Budget Office says the House bill would cut projected Medicare payments to hospitals by \$12 billion, or slightly less than 1 percent, in the coming decade.

Hospitals across the country have mobilized a lobbying campaign to block the cuts, which would offset about half the value of any special assistance to rural hospitals.

"The House gives with one hand and takes away with the other hand," said Thomas P. Nickels, senior vice president of the American Hospital Association.

Hospitals blocked an effort by Mr. Thomas to cut their Medicare payments last year. They said their costs for labor, new technology and blood products were all rising.

Urban hospitals, including teaching hospitals, generally prefer the Senate bill. Hospitals in New York State would gain \$509 million under the Senate bill, but would lose \$439 million under the House measure, the hospital association said.

On Aug. 5, Mr. Thomas announced a "tentative agreement" on details of a drug discount card that could be issued to Medicare beneficiaries next year, to provide some immediate assistance, until Medicare drug coverage begins in January 2006.

But today the companies that would issue such cards for the government said the enrollment fee — \$25 or \$30 a person — would probably not be enough to cover their costs.

"How will they make money?" asked Steven C. Jennings, a health care lobbyist. "They need additional Medicare payments to get up and running."

The companies would have to negotiate discounts with drug manufacturers, establish networks of retail pharmacies and keep track of drug spending by millions of Medicare beneficiaries.