

June 19, 2003

Senate Move to Increase Federal Role in Drug Benefits Fails

By **ROBIN TONER** and **ROBERT PEAR**

WASHINGTON, June 18 — Senate liberals tried and failed today to amend Medicare legislation to strengthen the role of the federal government in delivering a new prescription drug benefit.

The debate highlighted the deep divisions between the two parties on how much to trust private insurance companies to provide drug benefits and other health care to the 40 million elderly and disabled Americans in the government program.

In the end, the amendment failed by a vote of 37 to 58, with 6 conservative and centrist Democrats and Senator James M. Jeffords, independent of Vermont, joining the 51 Republicans to oppose it.

It was the first vote on the bill in the Senate, and it suggested that the bipartisan coalition that produced this legislation would hold against challenges from the left. In fact, several leading Democrats have already indicated they will vote for the bill on final passage.

Conservatives continued to voice concerns about the bill, saying that it does not go far enough to restructure the program and move toward a more market-based alternative.

Amid those concerns, President Bush kept the pressure on the Senate today. He met with a bipartisan group of 13 senators and urged them to keep pushing to pass Medicare legislation before the July 4 recess.

The bipartisan bill now advancing in the Senate would offer new prescription drug coverage to Medicare beneficiaries, but it would be provided, by and large, through private insurers. The government would offer a "fallback" drug benefit only in geographic areas that failed to attract at least two private plans.

Senate Democrats, under the leadership of Debbie Stabenow of Michigan, sought to amend that legislation so that a government drug benefit — in the traditional Medicare program — would be available to every beneficiary. That, Ms. Stabenow said, would give people a true choice between private plans and the government-run program.

Democrats contended that most of the elderly were far more comfortable with the security and reliability of traditional Medicare than they would ever be with a private plan. They also said that private health plans had a checkered history in the Medicare program, enrolling and then dropping hundreds of thousands of elderly beneficiaries when their business proved unprofitable.

Senator Tom Harkin, Democrat of Iowa, said the Medicare program came into existence, in 1965, "to care for those people who are left behind by the private sector." He recalled his father, a retired coal miner with black lung disease, who could neither afford nor obtain health insurance until Medicare was

created.

Conservatives countered that if the government offered a benefit everywhere, private plans would be reluctant to compete, and the effort to inject more competition and market forces into Medicare would be doomed.

Moreover, Senator Charles E. Grassley, the Iowa Republican who is chairman of the Finance Committee, said, "It would ultimately put the government into the full-time business of setting drug prices and determining which ones are covered and which are not."

In the end, Republicans said, the bipartisan bill must change the status quo in Medicare and encourage more older Americans to get government-subsidized health benefits through private health plans. Many Republicans say the bill does not go far enough, and they plan to offer amendments increasing the private options and limiting the federal role.

Senator Gordon H. Smith, Republican of Oregon, said, "It's really a choice between the past and the future — between government centralized planning and price controls, and a marketplace that can evolve."

The bills in the Senate and the House envision not only the addition of a drug benefit but also a much greater role for preferred provider organizations and other private options. With a 10-year cost of \$400 billion, and sweeping structural change, the legislation is considered the biggest expansion of Medicare in its history.

Under the Senate bill, a typical drug benefit would have a monthly premium of \$35 and a yearly deductible of \$275. The beneficiary would pay 50 percent of drug costs from \$276 to \$4,500, with Medicare paying the other half. At that point, the beneficiary would be responsible for all drug costs until spending reached \$5,800 a year. Beyond that, Medicare would pay 90 percent.

But, critics said, because of the legislation's reliance on private plans, the premiums and benefits could vary widely.

A new survey by Peter D. Hart Research Associates for the A.F.L.-C.I.O., among the bill's critics, reported that opposition to the plan was "quite broad" among voters 55 and older when the Senate bipartisan plan was described.

In the House, where the Ways and Means Committee approved similar legislation on Tuesday, another committee, Energy and Commerce, worked today on the Medicare bill, turning aside Democratic amendments intended to provide more extensive drug benefits.

By a vote of 27 to 25, the committee rejected a Democratic proposal that would have spent more than \$900 billion on Medicare drug benefits in the next decade.

The House committee also voted, 27 to 19, against a Democratic proposal guaranteeing that elderly people could obtain drug coverage equivalent to that available to federal employees. A proposal to close the gaps in coverage also failed, by a tie vote, 23 to 23.