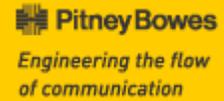




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POLITICS AND POLICY

Senate Supports Drug Benefit For Medicare Via Private Plans

By **DAVID ROGERS**
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WASHINGTON -- In a strong first showing, the Senate overwhelmingly endorsed a centrist plan to have Medicare provide a new prescription-drug benefit through subsidized private insurance coverage rather than through a direct government-run program.

Six Democrats and Vermont independent Sen. James Jeffords joined Republicans on the 58-37 roll call that reflects a greater willingness in both parties to experiment with private-market options in health care. Maintaining this balance is crucial to the bipartisan coalition driving the Medicare changes, and Majority Leader Bill Frist (R., Tenn.) said Wednesday's wide margin makes "the statement that we have the votes."

The leadership is confident enough now to expand the package by wrapping in a compromise bill to help speed lower-cost generic drugs to market. Sen. Judd Gregg (R., N.H.), chairman of the Senate Health, Education and Labor Committee, said there is a "100%" chance of the generics provisions being added in the expectation that they will yield additional savings to help smooth out remaining problems in the proposed Medicare benefit.

The White House recently announced new rules to achieve some of the same generic-drug savings, reducing what credit the Senate can claim. But any extra money would be added to a pool of about \$19 billion of funds available after 2009. And Senate Finance Committee Chairman Charles Grassley (R., Iowa) acknowledged he faces strong pressure to increase subsidies to dissuade employers from dropping their drug coverage for retirees.

Meanwhile, President Bush called supporters to the White House to give his encouragement, and to share the limelight. "It was a love fest," said Sen. John Breaux (D., La.). The White House meeting was salted with Republican senators running for re-election next year and looking for exposure on a popular issue.

With House Republicans moving ahead with their own Medicare bill, Mr. Frist and House Speaker Dennis Hastert (R., Ill.) hope to complete floor action in both chambers next week and then begin final negotiations on the \$400 billion package when lawmakers return early next month from the July 4 recess.

In tandem with the new drug benefit, the administration wants to encourage private health plans to substitute as well for Medicare's traditional coverage of hospital and physician services. This second stage of private involvement is the more far-reaching and politically sensitive, and while

more Democrats are willing to experiment this year with private delivery systems for medicine, there is still a strong fear that comprehensive private health plans might undermine the larger Medicare structure.

These concerns are compounded by the cost of proposed premium subsidies to encourage seniors to join the private plans. When House and Senate negotiators meet next month, a major issue will be how much to invest in these incentives at the expense of limited dollars to finance the core drug benefit.

The House is more aggressive in providing such subsidies, resulting in projections of higher participation in the private plans, according to the federal Centers for Medicare and Medicaid Services.

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