Bush To Let Free-Market Wolves Run His Medicare Drug Plan

by Linda Everett

In 1965, the U.S. Congress created the Medicare program to assure that the most vulnerable people—older, disabled, and chronically ill Americans—had the health insurance necessary to procure critical, life-saving medical treatment and care. The Federal insurance program, once considered the largest in the world, was created precisely because private insurers refused to make health care coverage available to exactly that population who needed it the most.

Now, Republican Presidential candidate George W. Bush, should he become President, plans to "modernize Medicare"—actually privatize it, by having the Wall Street-London financier oligarchy "compete" to loot this vulnerable population through their health insurance and managed health care companies, health maintenance organizations (HMOs), and the pharmaceutical drug industry—all under the auspices of providing a desperately needed prescription drug coverage plan for Medicare beneficiaries. In essence, he plans to let the murderous "free market" wolves, already well known for scamming the elderly out of medical care and their lives, reign.

Although prescription drugs are now essential for managing chronic illnesses, the Federal Medicare program does not cover medications beyond those needed in hospitalizations. Beneficiaries must purchase extra insurance (Medigap) to pay for their prescription drugs. That insurance is so expensive that only 8% of 40 million Medicare patients can afford it. The issue has become a political football in the Presidential campaign, with Bush and Vice President Al Gore proposing vastly different approaches. While Democrats have always called for adding prescription drugs as an integral benefit for all Medicare benficiaries, Bush unveiled his two-step program on Sept. 5.

Bush's Plan

First, Bush claims he would immediately provide prescription coverage to the poorest elderly and those with catastrophic drug costs, by shifting partial responsibility for them to the states, giving the states $48 billion in block grants to set up programs. Under the plan, coverage would be free for seniors who earn less than $11,300 a year or for couples who earn less than $15,200. Right now, only 14 states have such programs. Since state participation would be voluntary, and the program would allow each state to set its own premium and benefit levels, there would be no uniformity in the program—exactly what is now the case with the Federal-state Children's Health Insurance Program (CHIP).

CHIP was created in 1997 to provide health care coverage for low-income uninsured children whose families do not qualify for Medicaid. It took years to start the program in most states, and overall, states have yet to enroll some 7 million eligible children still outside this safety net. Some 40 states, including Bush's own state of Texas, are now forfeiting billions of Federal dollars from the CHIP program because the states couldn't be bothered with doing the paperwork or didn't want to spend the necessary matching funds.

California and Texas account for more than half of the unspent money, $590 million and $446.3 million, respectively, according to a *New York Times* report. Together, the two states have 29% of the country's 11 million uninsured children. When states severely limit or refuse to particpate in such programs, it has life-long medical consequences for millions of children. The same troublesome and erratic pattern would occur in state prescription drug programs for the elderly. The association of state governors has already said that the states don't want the responsibility that Bush is shoving their way.

'Piratization' by Another Name

The Bush plan leaves out 48% of the 12 million seniors who cannot afford drug coverage now, and his catastrophic prescription drug coverage (see below) would help as few as 1% of Medicare beneficiaries.

Bush's $110 billion, ten-year Medicare modernization plan would have all insurance companies that participate in the Medicare program offer drug prescription coverage—but they, too, have repeatedly made it clear that they're not interested. Private insurance plans and HMOs would compete against traditional fee-for-services Medicare. The Bush proposal, modelled on the Medicare privatization plan of U.S. Sens. Bill Frist (R-Tenn.) and "Blue Dog Democrat"

John Breaux (D-La.), would fundamentally change the Medicare program, from one which guarantees medical benefits to one in which the government simply hands seniors a voucher for 25% of the cost of monthly premiums for private insurance.

But, in the Bush plan, there are *no* limits whatsoever on what insurers and drug companies can charge the elderly or the government. The plan allegedly pays for all catastrophic drug costs over $6,000 a year, but Bush never says what yearly deductible seniors will have to pay *before* his plan kicks in, nor how seniors would have to pay "out of pocket" for each prescription.

Medicare would become the most costly plan, under the Bush proposal, and the government would have to buy a separate drug-coverage plan on the private market. Most beneficiaries would be forced into the same murderous HMOs that have already "dumped" millions of Medicare patients, calling them "unprofitable."

Drug Industry versus Seniors

While senior organizations and advocacy groups roundly slammed the Bush plan, the pharmaceutical industry, which contributed $10.5 million to the Republican Party this year, hailed it. The Heritage Foundation says that it "will introduce market forces and efficiencies into the system." Gail Wilensky, former administrator of the agency that runs Medicare (under President George Bush), drafted Governor Bush's drug proposal—and serves on the boards of eight drug and managed health care companies. She owns stock and stock options in major pharmaceutical companies whose fortunes depend on the success of the Bush plan.

Note that according to the latest Fortune 500 data, the top seven pharmaceutical companies took in more profits than the top seven auto companies, the top seven oil companies, the top seven airline companies, or the top seven media companies. According to one Congressional office, one drug company, Merck, pocketed more in profits than all the airline companies on the Fortune 500 list; more than all of the entertainment and construction industries as well. The pharmaceutical industry's 18.9% profit-to-revenue ratio is the highest margin of any "industry" in the nation.

Although prescription drugs are now essential to manage chronic illnesses, lack of drug coverage disproportionately affects the newly poor, the oldest, and those living in rural areas, according to "The Public and Prescription Drugs," a Kaiser Family Foundation survey released in September. For example, 39% of beneficiaries with incomes between 100% and 150% of poverty ($7,740 in 1996 for individuals and $10,360 for couples) lack drug coverage. At least 38% of all older Americans say that they do not have any kind of prescription drug coverage; and, 12 million Medicare beneficiaries must pay for their medications out-of-pocket. Some 23% of the elderly say that paying for prescription drugs for themselves or their family is a "serious problem."

Drug Re-Importation: Lower Drug Costs?

Congress, too, has a spotlight on the high costs of prescription drugs, and at least one bill has unleashed the wrath of the powerful pharmaceutical drug industry. A bipartisan bill, first proposed by Rep. Marion Berry (D-Ark.) in 1999, would allow wholesalers and pharmacies to re-import prescription drugs from abroad at a fraction of the cost of purchasing them outright in the United States, where prescription drug prices are completely unregulated. Although a medication is manufactured in the United States, Americans can procure it more cheaply—sometimes at monthly savings of thousands of dollars—by crossing into Canada or Mexico to purchase them. In Canada, a price review board oversees the costs of drugs to make sure prices never rise faster than the consumer price index. In Mexico, the government negotiates prices with manufacturers based on bulk purchases.

Buying prescription drugs, which have risen 48% in price since 1992, is increasingly unaffordable, if not impossible, for more Americans than ever. Twenty-five percent of Americans report that they do not have prescription drug coverage through their health insurance plan. According the report cited above, three in ten Americans say they have not filled a prescription because of the cost; 25% say they have to give up other purchases in order to afford prescription drugs for themselves or their family; and 10% report having to give up basic necessities, such as food, to pay for medicines. More than one in ten Americans says that being able to pay for prescription medicines is a "serious problem."

A Pitched Battle

Lawmakers see the drug re-importation measure as the most immediate way to contain, or even lower, soaring U.S. drug prices. The Pharmaceutical Research and Manufacturers Association, the lobbying organization for drug manufacturers, and the most powerful lobbying group in Washington (thanks to its 300 lobbyists), is in a pitched battle, using high-profile television commercials and newspaper ads nationwide, to block *any* government interference or regulation of drug prices.

The office of U.S. Rep. Bernie Sanders (I-Vt.), a co-sponsor of the re-importation bill, released a report in March that showed at least a 57% increase in pharmaceutical industry campaign contributions between 1995 and 1999, with a 47% rise in pharmaceutical political action committee contributions and 22% in contributions by industry executives and lobbyists. In terms of soft money, the pharmaceutical industry has increased its contributions by 121% during the same period.

On Oct. 6, the U.S. House of Representatives and Senate reached agreement on a very watered-down version of Representative Berry's drug re-importation proposal, which would expire after five years. The bill, attached to an Agriculture Appropriations bill, is expected to pass the Senate and be signed by President Clinton.