



Legislation Text

File #: Res 1124-1999, **Version:** A

Res. No. 1124-A

Resolution calling upon the Congress of the United States to preserve Medicare's social insurance character and to pass legislation extending the financial solvency of Medicare and improving the Medicare program by the addition of several enhancements including an adequate, affordable prescription drug benefit.

By Council Members Harrison, Clarke, Malave-Dilan, Freed, Koslowitz, Lopez, Marshall, Nelson, Reed, White, Stabile, Lasher, Boyland and Abel; also Council Members Eisland, Foster, Leffler, McCaffrey, Michels, Pinkett, Povman, Linares and Cruz.

Whereas, President Clinton has proposed changes in Medicare that are intended to strengthen Medicare's financing for the 21st Century; and

Whereas, The elderly population of the United States will sustain a substantial increase over the next three decades, growing from approximately 40 million to approximately 80 million; and

Whereas, According to a White House Press Release, dated March 13th, 2000 (the "Press Release") the President plans to devote \$150 billion to Medicare over 10 years, paid for largely out of projected surplus funds, and also plans to dedicate \$299 billion from the non-Social Security surplus to help extend Medicare's solvency to at least 2025; and

Whereas, Provision of an outpatient prescription drug benefit is a significant part of the President's proposal; and

Whereas, Nationally, prescription drug costs are the fastest growing component of health care costs and are fast moving toward becoming the largest component; and

Whereas, Although the President has proposed the introduction of a Medicare Part D to make drug coverage available to beneficiaries on an optional basis, analysts have noted that, while a drug benefit is an important component of any Medicare enhancement, the plan may not provide sufficient access to participation for many seniors since, (1) while premiums would be at least partially subsidized for beneficiaries below 150% of poverty, the projected premium cost (\$288/year initially, rising to \$576/year in 2009 according to the Press Release) would not be affordable for many moderate income beneficiaries, (2) even though no co-payment would be required below 135% of poverty, many moderate income people who join Part D would have difficulty affording the drugs they need, inasmuch as a 50% co-payment would be required, (3) the annual benefit (match) would be capped at \$1,000, rising to \$2,500 in 2009, posing a serious limitation for all but the well-to-do among beneficiaries with costly prescription drug needs, and (4) the voluntary nature of the President's proposal gives Medicare beneficiaries who now have dependable, affordable coverage the option of keeping that coverage which would, according to projections of the Congressional Budget Office (CBO), apply to 75% of seniors, but which could lead to adverse selection of enrollees and lower cost-effectiveness for the program, in that healthier beneficiaries would stay out to avoid the premium cost; and

Whereas, The President's proposal would give beneficiaries bargaining power in the market place since drug cost discounts would average 12.5%, according to CBO projections; and

Whereas, The New York Times, on February 8, 2000, reported that the President proposes to include a Medicare buy-in option for Americans aged 55-64, which would be funded through the provision of tax credits allowing people to offset 25% of the cost; and

Whereas, In addition to provision of a prescription drug benefit, there are a number of other Medicare proposals such as means testing and a shift to managed care, which are currently being considered by Congress and which should be carefully evaluated prior to passage of new Medicare legislation; and

Whereas, Advocates remain firmly opposed to any form of means testing, since they feel that means testing would undermine the Medicare program's universality, and thus its social insurance character, which may weaken its base of political support; and

Whereas, Advocates have also expressed reservations about the President's plan to shift Medicare beneficiaries away from the fee-for-service model by introducing market-oriented incentives to induce buying of coverage from private managed care plans, such advocates feel that this would undermine the defined benefit that traditional Medicare guarantees, inasmuch as different plans cover different sets of services and often reduce their benefit levels over time; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the Congress of the United States to preserve Medicare's social insurance character and to pass legislation extending the financial solvency of Medicare and improving the Medicare program by the addition of several enhancements including an adequate, affordable prescription drug benefit.

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