



Committee On Finance

Max Baucus, Chairman

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STATEMENT OF SENATOR MAX BAUCUS MEDICARE PRESCRIPTION DRUGS

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Mr. President, I will vote for the Graham-Miller amendment. It is, to my mind, the best proposal before us. It will provide affordable prescription drug coverage throughout the country. However, it now appears that there may not be enough votes for the Graham-Miller amendment to pass. The same is true of the Grassley amendment, which embodies the so-called "tripartisan approach." If that turns out to be the case, we will be at a stalemate. At that point, we will have to decide whether there is some way to resolve our remaining differences so that we can write a prescription drug bill that can pass.

With that in mind, I would like to briefly discuss the three key remaining differences. The first, and probably most significant, is referred to as the "delivery model." That may sound like some kind of technical jargon, but it's critically important. It will determine whether we are passing some theoretical, pie-in-the-sky prescription drug benefit, that works on paper but fails out in the real world, or whether we are passing one that will really get prescription drugs to seniors at affordable prices.

There are two basic approaches. Under the Graham-Miller approach, prescription drugs will simply be added to the existing Medicare program, with some new incentives for efficient administration. Under the tripartisan approach, in contrast, prescription drugs will be provided through a new, market-based system that relies on private insurance companies. People may ask: Why not try something new? What could be wrong with a new, market-based system? Simply this. The new system is untested, and may leave seniors without adequate coverage, especially in rural states like Montana.

Let me explain. Montana seniors, like those living in other rural states, lack the rich retiree coverage options that their urban counterparts enjoy. There just aren't as many large companies offering drug benefits to their retired workers in Montana as there are in other parts of the country. And we also don't have any Medicare+Choice plans offering free or low-cost drugs to beneficiaries as in places like Florida or some other parts of the country.

Also, our Medigap rates are higher than the national average, and our Medicaid coverage is lower. On top of all that, we've been burned in the past by the promises of competition and efficiency. Rural areas often get the short end of the stick when we deregulate and leave people at the complete mercy of market forces that favor highly-populated areas. Consider airline deregulation, managed care, and energy deregulation, to name a few. I don't want to overstate the case. I'm not saying that a new approach absolutely *won't* work in Montana. But I am not willing to buy a pig in a poke. I want a reasonable assurance that a private insurance model *will* work. I know that many other Senators share my concern.

How can we address this concern? Is there a middle ground? There may be. In essence, we would shift to a new, market-oriented system, but do it gradually, with plenty of safeguards to make sure that it really works, especially in rural areas and other underserved areas. The resulting system might not be quite as efficient as some would like but in exchange, it is more stable than it otherwise would be under the private model – and vice versa.

The second key difference, between the two main proposals, is how much to spend on a prescription drug benefit. Clearly, we are talking about a big investment of government dollars – and even at the amounts we are considering here, we won't buy a benefit that will meet seniors' expectations. The proposals that include a so-called doughnut, or coverage gap, give pause for concern, simply because during some parts of the year seniors would not receive *any* assistance. I don't want to belabor the point, as I know many others have talked about this problem over the past few days.

To my mind, the Graham-Miller bill is right about on target, and I hope that those who support the tripartisan approach can, in the spirit of compromise, agree to devote some further resources to helping our seniors. The final key difference involves what is referred to as "Medicare reform." That means making additional changes to the Medicare system, beyond those necessary to provide a prescription drug benefit.

With due respect to the proponents of reform, I believe that we should keep our eye on the ball. We have limited resources. Many of the reforms are untested and, in some cases, risky. We will have other opportunities to consider broader changes to the Medicare program. In light of this, I suggest that we defer the debate about additional reforms until a later date, and concentrate on prescription drug coverage.

Those are the key differences. Delivery model, spending, and other reforms. Are they significant? The certainly are. Can they be resolved? If we roll up our sleeves and put the interests of seniors ahead of politics or theory, they certainly can. I hope that the Graham-Miller amendment is adopted. If not, I hope that we can keep talking, keep working, and keep the interest of our seniors firmly in mind. We must find the combination to a medicine chest locked since 1965, preventing seniors from getting the drugs and the coverage they so desperately need. I, for one, hope to do just that.