

United States Senate

WASHINGTON, DC 20510

December 16, 2005

The President
White House
Washington, DC 20500

Dear Mr. President;

The new Medicare prescription drug benefit will become available to our nation's seniors and people with disabilities in two weeks. We have grave concerns that efforts to educate Medicare beneficiaries about the drug benefit and assist them in choosing a plan are falling short of the high standard we must demand for such a significant new program. Successful implementation will depend not only on appropriate funding for the two lead agencies, the Centers for Medicare and Medicaid (CMS) and the Social Security Administration (SSA), but on an appropriate allocation by CMS of its funds. We call upon the White House to immediately ask Congress to appropriate additional funds for CMS and SSA, and ensure that CMS has a suitable distribution plan, to improve current outreach and assistance efforts.

The goal of the new drug benefit is to help cover the high cost of prescription drugs for the 42 million people with Medicare. Congress provided \$1.0 billion from the Medicare Trust Funds for CMS to ensure the agency would be able to adequately implement the legislation in fiscal years 2004 and 2005. Similarly, Congress provided \$500 million from the Social Security Trust Fund for SSA to implement the legislation during those two fiscal years.

As we quickly approach the first enrollment deadline, we are deeply concerned that neither CMS nor SSA will have enough resources over the next six months to adequately assist Medicare beneficiaries in enrolling in the new drug benefit or the low-income subsidy, before open enrollment closes and the premium penalty takes effect in May 2006.

We believe that SSA and CMS face slightly different obstacles that must be dealt with immediately.

In CMS' case, we are concerned about the level of funds available next year and how the agency has allocated its funds from the Medicare Modernization Act to date. According to CMS, the agency budgeted \$436 million for "Education and Outreach." Of that amount, CMS allotted 70 percent (\$300 million) to ad campaigns and its 1-800 Call Center. But the agency allotted only 7 percent (\$30 million) for State Health Insurance Assistance Programs (SHIPs), which provide direct, personalized and unbiased assistance to beneficiaries in choosing and enrolling in a Medicare drug plan. CMS directed over \$7 per Medicare beneficiary for advertisements and its national call center, but only 70 cents per beneficiary for community-based SHIPs.

With so many plans to choose from, seniors need personalized, impartial help, as provided by SHIPs, to sort through their options. But SHIPs around the country are understaffed and overwhelmed due to lack of funding. Counselors in many states are booked for one-on-one appointments with beneficiaries until next March. As a result, many people seeking SHIP assistance now will be turned away. To prevent this, CMS should provide SHIPs an extra

\$1 per beneficiary in 2006, or an added \$42 million. CMS should make extra SHIP funds available immediately under the current grants to States, rather than wait for 2006 grants to be available in April.

Moreover, CMS' administrative budget, which will fund education and outreach for the drug benefit next year, will be reduced by \$60 million per the Labor-HHS appropriations conference report that passed the House. CMS' budget also would be subject to a 1 percent across-the-board cut slated for all discretionary accounts. These cuts would result in a \$90 million loss to CMS at a time when the agency needs to expand its outreach activities and enroll millions of people in the drug benefit. We urge the President to ensure that this cut is offset by additional funding in some other way. We also urge the President to ensure that CMS allocates more resources to community-based SHIPs, as they provide the kind of one-on-one help beneficiaries need during the enrollment process.

SSA also faces funding shortages in implementing the Medicare prescription drug program. Social Security has an important role to play—namely outreach for, and processing of, the millions of applications for the low-income subsidy. As a result of SSA's involvement in the program, call volume to its 1-800 number has sky-rocketed. The busy signal rate increased from 9.5% in October to an extraordinary 22.8% in November. This is not just a problem for callers with Medicare questions, but also for callers with questions about any of SSA's regular programs. Similarly, walk-in traffic has greatly increased at many SSA field offices, resulting in lines of people continuing outside the doorways in some cases. And the difficulty of reaching local offices by phone has been exacerbated.

SSA could mitigate these problems if it had \$125 million in additional resources to provide more workers and overtime pay. But SSA does not have additional resources. In fact, the budget situation facing SSA is just the opposite.

Funding for SSA's administrative costs in the current fiscal year is already insufficient. If the funding level in the FY2006 Labor HHS conference report is signed into law, SSA's funds would be about \$170 million below the level requested by the President. In addition, SSA will have to absorb another \$30 million in cuts for civilian pay raises enacted by Congress and not included in the President's budget request. Moreover, SSA's appropriation level would be subject to the 1% across-the-board cut slated for all appropriated accounts. Its funding would therefore drop by an added \$90 million. In total, SSA's funding would be about \$300 million below the President's budget request.

Obviously, cutting \$300 million would leave no room for extra funds to eliminate backlogs arising from implementation of the Medicare drug benefit. But it would also create much deeper problems within the agency. SSA would have to take some combination of three steps. It would have to reduce funding for its activities that provide service to the public, such as adjudicating applications for disability benefits. But applicants already must wait as much as three and one half years, and funding cuts would make that worse. It would have to cut activities that save more money than they cost, such as continuing disability reviews. But that would worsen the Federal deficit. And it

would have to eliminate some of the funding it is currently earmarking for implementations of Medicare's drug benefit program. That would obviously be unacceptable.

Given the unpalatable nature of each of these three options, SSA would have to use each of them to some degree. Therefore, the only way to ensure that SSA does not cut back on implementation of the Medicare drug benefit is to fund SSA's administrative costs at or near the level of the President's request. That would require about \$300 million in additional funds. And as said above, \$125 million beyond the President's request would be needed to reduce waiting times on the 1-800 number, at field offices, and on field office phones.

CMS and SSA face significant challenges in the months ahead. Both agencies will require considerably more resources to help the more than 42 million people and their families understand and take full advantage of the new Medicare drug benefit. As the House and Senate finalize their spending bills, the White House should ask Congress to appropriate more funds for CMS and SSA so that adequate resources are available to implement the Medicare drug benefit.

Thank you in advance for your consideration of these important matters.

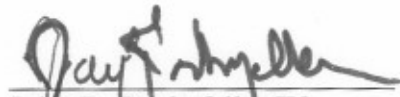
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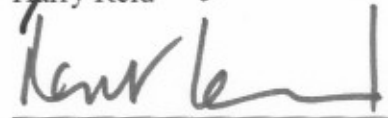
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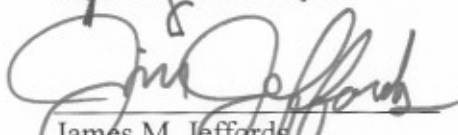
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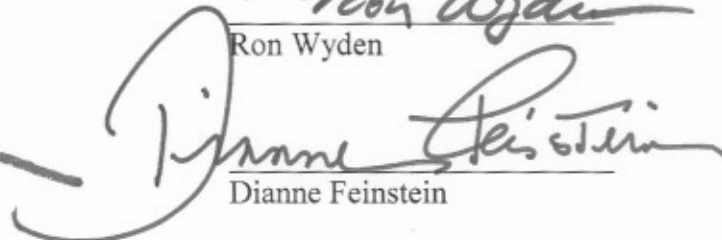
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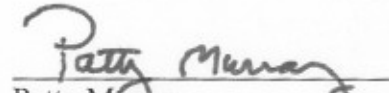


Thomas R. Carper




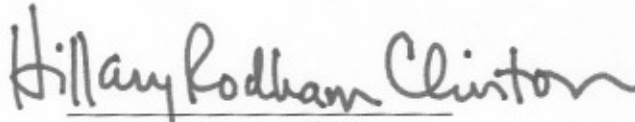
Dianne Feinstein

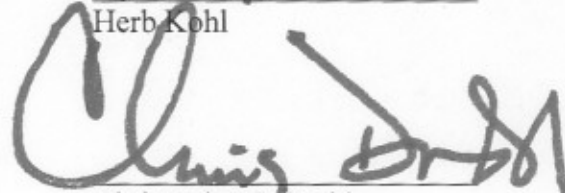

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