



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

February 24, 2014

To: Health Subcommittee Members

From: Majority Committee Staff

Re: “Messing with Success: How CMS’ Attack on the Part D Program Will Increase Costs and Reduce Choices for Seniors”

On Wednesday, February 26, 2014, the Subcommittee on Health will hold a hearing entitled “Messing with Success: How CMS’ Attack on the Part D Program Will Increase Costs and Reduce Choices for Seniors.” The Subcommittee will convene at 10:00 a.m. in 2123 Rayburn House Office Building. Below is background on the hearing.

I. Witnesses

Panel 1

Jonathan Blum, Principal Deputy Administrator, Centers for Medicare and Medicaid Services.

Panel 2

Douglas Holtz-Eakin, President, American Action Forum;

Carl Schmid, Deputy Executive Director, The AIDS Institute; and

Joe Baker, President, Medicare Rights Center.

II. Medicare Part D

The Medicare Part D Prescription Drug Benefit was established by the Medicare Modernization Act of 2003, and went into effect in 2006. It is a voluntary benefit that sits alongside the Medicare Part A, Part B, and Part C (Medicare Advantage) programs.

Medicare beneficiaries receive the Part D benefit by signing up for a prescription drug plan.¹ These plans must bid a proposed amount to the Federal government in order to provide a standard package of covered drugs to enrollees. The Federal government provides a subsidy equivalent to 74.5% of the nationwide average bid to each plan. Drug plans are then free to

¹ Medicare Advantage beneficiaries also may seek drug coverage as part of their own plans.

charge enrollees additional premiums to cover residual costs or supplemental benefits, and may discount copays to encourage beneficiaries to use cheaper alternative drugs or retail outlets. The Federal government provides subsidies to cover most premiums and out-of-pocket expenses for those below 150% of the Federal poverty level.

Medicare Part D has proven popular with beneficiaries and is structured to encourage competition between plans. The program's expected average 2014 premiums (\$31 per month) and budgetary costs (\$55 billion per year) are about half of the levels initially projected at the time the program was signed into law.

III. CMS Rule

On January 6, 2014, Centers for Medicare and Medicaid Services (CMS) issued a proposed rule that would make major alterations to the successful Part D program. The proposed rule raises serious concerns and the hearing provides an opportunity to hear testimony about the proposed rule's changes to Part D and how these changes could hurt seniors if CMS finalizes the proposed rule.

IV. Staff Contacts

Should you have any questions regarding the hearing, please contact Robert Horne, Paul Edattel, Josh Trent, or Chris Pope at 202-225-2927.