

CURRENTS

NEW MEDICARE LAW / KEY PROVISIONS

PRESIDENT BUSH is expected shortly to sign into law the Medicare Prescription Drug and Modernization Act of 2003, which represents the biggest change in the Medicare program since its inception in 1965. It's also one of the biggest pieces of domestic legislation to emerge from Congress in many years and one of the costliest (an estimated \$395 billion over the next decade). Like the current Medicare plan, it helps cover the cost of medical services for some 40 million older and disabled Americans. Here are some major provisions of the new law.

Other important changes

- Increases payments to hospitals that serve a large number of low-income patients.
- Increases payments to rural hospitals and doctors by about \$25 billion.
- Replaces a scheduled 4.5 percent cut in Medicare payments to doctors in 2004 with increases of at least 1.5 percent in 2004, 2005.
- Reforms drug-patent laws to allow cheaper generic drugs to compete with brand names.
- Sets aside \$12 billion to encourage private plans to participate in Medicare.
- Keeps the current ban on prescription-drug imports in place unless their safety is confirmed by the Department of Health and Human Services. Law also calls for a study of the safety of imports.

Provision	When it takes effect	What it will cost
<p>DISCOUNT DRUG CARD (TEMPORARY) Expected to cut 15 percent or more from the cost of buying prescription drugs. Low-income participants also receive \$600 per year toward drug purchases.</p>	Spring 2004 (In 2006, other provisions take over – see below.)	\$30 a year for participants
<p>DRUG PURCHASE PLAN Reduces cost of prescription drugs. Participants voluntarily sign up for a drug plan or choose a private healthcare provider that offers prescription-drug coverage. Employers who offer drug benefits to their retirees would receive tax-free subsidies worth as much as \$70 billion to encourage them to continue their programs.</p>	2006	\$35 per month (estimate). After a \$250 deductible, plan pays 75 percent of costs up to \$2,250. Above that, no coverage until costs reach \$5,100, then plan pays 95 percent. For low-income individuals with few assets, the premium, deductible, and coverage gap between \$2,250 and \$5,100 are waived. Deductible and coverage gap expected to grow after 2006.
<p>OUT-OF-HOSPITAL AND DOCTOR COVERAGE Requires higher-income participants to pay more of their own costs for what is known as Medicare Part B, which helps pay out-of-hospital costs, such as doctor visits and physical and occupational therapy.</p>	Premium increases start in 2007 and phase in over five years	Participants with incomes under \$80,000 pay 25 percent and the plan pays the rest. People with incomes over \$80,000 would pay larger percentages, topping out at 80 percent for those with incomes over \$200,000 a year. Deductible: \$110 in 2005, afterward indexed to cost of the plan.
<p>PHYSICAL EXAM AND SCREENING When joining the program, participants are given a free doctor visit and screened for diabetes and cardiovascular disease. Payments to doctors for mammograms would be increased to encourage doctors to provide them.</p>	2006	Free
<p>HEALTH SAVINGS ACCOUNTS People under age 65 who pay high deductibles for health insurance (at least \$1,000 a year for individuals; \$2,000 for couples) can shelter income from taxes. Pretax contributions equal to the deductible can be made up to \$2,600 a year for individuals, \$5,150 for families. Earnings and distributions are tax free after age 65 as long as money is spent on health-related expenses, including insurance premiums, prescription drugs, or long-term care.</p>	2006	No cost
<p>LIMITED COMPETITION WITH PRIVATE PLANS For a six-year period in six metropolitan areas chosen by the Secretary of Health and Human Services, at least two alternative private health-care plans will compete with traditional Medicare coverage. Premiums for those who stay with traditional Medicare could not rise more than 5 percent per year.</p>	2010	Unknown, but the aim is to reduce healthcare costs for participants.

Sources: AP, www.medicare.gov, www.Amednews.com, Reuters