

Medicare Modernization Act (MMA) of 2003

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Abstract

This article examines the Medicare Modernization Act (MMA) of 2003. The legislative history is discussed to understand how the bill was shaped in accordance with the interest of different sectors. This article also probes whether or not the bill has been successful in meeting the needs of the elderly population to gain secure access to affordable prescription medicine as well as helping the federal government lower its spending. Based on available literature, the Modernization Act has a limited advantage to the people it seeks to serve, while giving private companies more money and business. The Medicare Modernization Act fails to answer the needs of the elderly population to have better access to prescription drug because. While it offers more services and benefits, the MMA does not answer the problem on cost related to medication.

Keywords: Medicare, Modernization Act, Elderly Population, Prescription Drug Bill.

1 The Medicare Modernization Act

Absent a universal health care coverage program, the United States federal government has established several social insurance programs that would address the need of different sectors of society. Since private health care costs are high and the elderly generally do not have employment, the government has come up with the Medicare to provide health insurance to people who are 65 years old and above. The program also covers people under 65 years old who are disabled and are not capable of holding employment. Traditionally, the Medicare provides hospitalization and medical insurance to the elderly [1]. Later amendments allowed an individual to enhance the services by integrating a private health plan into Medicare for an additional cost.

Although Medicare answered the hospitalization and medical care of patients, prescription drugs have to be bought by the insured. This caused a problem for the elderly as new drugs introduced to the market are expensive. More and more people found the prescription drugs difficult to buy because of the price. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 were signed into law to answer this problem by providing tax breaks and subsidies. In this paper, the Medicare Modernization

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Act will be examined to understand how the policy was developed and passed into law amid problems with traditional Medicare. This paper will also highlight the challenges facing the program in terms of policy implementation and funding, which is complicated and reflects the influence of different interest groups that Congress needed in order to obtain approval of the bill. The program's success or lack of it will also be addressed in this paper.

2 Literature Review

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act was signed into law by President George W. Bush. The bill's passage was handled with political adroitness and hidden inaccuracies particularly on the subject of how much the bill would cost. Reference [2] relates that the Republicans balked at the \$395 billion cost that was presented to them. According to Boehlert, the Centers for Medicare and Medicaid Services chief actuary, Richard Foster, revealed that he was threatened with termination by the White House should he tell Congress about the actual cost of the program. They were later persuaded by the President to sign in favor of the bill's passage. However, once the bill became law, the real cost of the MMA was declared and became \$534 billion. Two years later, the federal government released a report showing that the MMA would be costing the government about \$1.2 trillion within a decade [3]. This projection is so much higher than what President Bush had told Congress.

2.1 Overview of the Prescription Drug Bill

The Medicare Modernization Act covers the prescription drug insurance for both branded and generic drugs. This bill was drafted to help the elderly who have high drug cost maintenance to meet. Anyone who is enrolled in Medicare can avail of this program, without regard for income, status of health, and current expenses for prescription drugs [4].

While the MMA became law in 2003, the bill's implementation began in 2006 with the introduction of Medicare Part D, which provides prescription drug benefits only through HMOs and private insurance companies. Part D subscription is voluntary. By subscribing to this plan, an enrollee pays for a certain amount of money to obtain up to a certain amount of drug prescription benefits. In other words, an enrollee pays a premium and part of the medication cost, while the rest is handled by the provider. Like any other insurance, the private insurers obligation will depend on the amount of premium paid.

Funding for the benefits comes from a complex system. The federal government gives subsidies to large corporations to encourage them to continue private coverage for prescription drugs for its retired employees. One notable aspect of the MMA is that government can't negotiate with drug companies concerning the prices of medicine [5].

In IBM's 2005 financial statement, it disclosed that it's entitled to about \$400 million Medicare subsidy. Another way of funding the MMA is to provide tax breaks to some organizations. Because of these, many corporations choose to continue providing prescription drug benefits to its retired employees.

2.2 How MMA Came Into Being: The Effect of Interest Groups

The discussions concerning prescription drug in Medicare has begun in the 1990s, which stemmed from concerns over medication costs and the baby boomers near retirement. Market-driven organizations wanted Medicare to be handled by the private sector to increase competition and drive down costs [6]. One of these interest groups is The Heritage Foundation, which proposes that Medicare should be reformed using the model applied in the Federal Employees Health Benefits Program.

In this model, the government would provide private insurance companies a set amount to provide benefits for the elderly. The rest of the costs would be shifted to those with Medicare. It was projected that Medicare's pool of insured would significantly lessen, thus, reducing government's expenditure.

According to Medical Rights Center, Heritage's campaign was to make people believe that Medicare is inferior and unsustainable. It recruited lobbyists like the American Medical Association and the United Seniors Association to promote privatization without looking at the implications to quality and long-term costs. The approval of the Balanced Budget Act of 1997 was the first step in the privatization proponents' success. The Medicare recipients were given the choice of receiving health care through private companies instead of the original Part A and Part B of the Medicare. Even then, the private plans were already offering minimal prescription drug benefits at a cost.

It took years and expensive campaigning but privatization proponents were successful in expanding the role of private health organizations in Medicare when MMA was approved in 2003. Separately, in Boehlert's report, he quoted Heritage's director of health policy studies, Robert Motiff, as saying that even the organization does not support the legislation, which Heritage believes is too expensive. But Motiff will later take back this statement and claim that MMA is a good plan and is bound to be successful.

3 Discussion

The approval process of the Medicare Modernization Act was already controversial with allegations of suppressing the real cost of the bill. The bill is said to be the crowning glory of the Bush administration, which is probably why Foster was threatened in order to keep him from disclosing his estimates to Democratic legislators [2]. The bill is said to relieve the government from the high costs of Medicare but large subsidies and tax breaks would also take their toll on the government's budget. In a report from the Washington Post by Connolly & Allen, the cost is even estimated to reach \$1.2 trillion in a 10 year's time. From this perspective, the MMA has the makings of a financial horror about to come true.

3.1 Pro-MMA Perspective

The Heritage Foundation, which is the original non-governmental proponent of healthcare privatization, described in an article how MMA has been a success. Reference [7] writes in the foundation's Web site why the Medicare Advantage plans, formulated under the MMA, are successful. The author states the obvious reason why MMA is advantageous to senior citizens: it offers a variety of options to choose from depending on the person's needs. For Motiff, this type of program gives the insured better value for his dollar. Despite many people's claim to the contrary, Heritage says that Medicare Advantage

provides patients with more affordable health care with better benefits and broader coverage.

The Centers for Medicare and Medicaid Services says that premium savings for approximately \$96 is accorded to enrollees to Medicare Advantage. On top of this, the seniors obtain more health benefits that are not covered in the original Medicare, like preventive and coordinated care management programs for patients with chronic illnesses. An enrollee can avail of free routine physical, eye, and hearing examinations. They can also avail of glasses and hearing aids under the Medicare Advantage. The higher the premium, the more benefits are available to enrollees. This type of access has not been possible in the traditional Medicare. In the past, the elderly population has to secure a different plan in order to obtain more health care benefits at very high costs because of their age and health status.

3.2 Anti-MMA Argument

Those who believe that the Medicare Modernization Act is a failure have based their arguments on some points. For one, Medicare users can't avail of the drug prescription benefit without getting involved with private health insurers and paying for monthly premiums. While this is not an issue for some, there are elderly people whose monthly stipends are meager. They could not afford the premiums. Although the MMA provides that this type of people can be accommodated and given prescription drugs for free, the question would lie on what type of drugs would they get, given that they are not paying for them? This would also imply that the MMA becomes discriminatory based on income. Those who can afford to pay get more, while those who cannot get less. This beats the very essence of Medicare being a social program.

Another important contention against MMA's success is the provision against government intervention with drug pricing, or even government negotiation with drug companies. In a way, drug companies can hike prices as much as they want considering that the government would be providing subsidies to companies. The implication of this to the government's budget would be high. Private companies could demand higher subsidies and tax breaks. As estimated, the MMA would cost \$36.3 trillion in a 75-year period, a figure that is bigger than the entire U.S. economy [8]. Without the capacity to negotiate drug prices, this would affect other sectors of society, not just the elderly.

Part D of the MMA does not guarantee availment of costly medication because the insured will have to pay for them if the cost would exceed that which is guaranteed by insurance companies. Basically, many people would still have inadequate medication because the program is prohibitive. It could be said that private companies and private insurers gained more out of Medicare's reform rather than the people it was meant to benefit.

4 Conclusion

The passage of the Medicare Modernization Act has been riddled with controversial issues. Even at the start, the MMA was met with doubt by many sectors, including those in the legislative body. Because of its projected cost, the White House allegedly sought underhanded means to deceive legislators into believing that the bill would solve the

country's rising health care costs. Not even a year since it was signed into law, the cost escalated \$100 billion more than what was originally written in the draft. Current government reports estimate that MMA would cost the government \$1.2 trillion in ten years. From the cost perspective, the MMA clearly fails to lower federal spending. What the bill succeeds at is to give more money to private corporations and private health insurers, while the citizens would continue to bear the burden.

The proponents of Medicare privatization are correct in saying that MMA expanded health coverage and benefits for the elderly population. But this expansion and addition come with a cost. A senior citizen gets more if he can afford to pay more. It does not necessarily make his life better. The senior population has to deal with private insurers whose main focus is making profit. They would not be willing to give their services for negligible amounts, even if their clients are old.

There is also the matter of the government's non-involvement with drug prices. Without a lid on pharmaceutical companies, prices could be manipulated to increase profits. The private insurers and the drug companies can already decide drug prices among themselves.

Overall, the benefits of the Medicare Modernization Act is so much lesser compared to the disadvantages presented by the bill. The elderly population suffers while the government's spending is sky-high. Who benefits in the end are the private sectors.

5 Recommendations

1. Medicare should directly administer a drug benefit program, eliminating the need to involve third-party middlemen.
2. The federal government should be able to negotiate drug prices with pharmaceutical companies to ensure that prescription medicines would be affordable to the seniors.
3. A single drug benefit plan must be available to Medicare beneficiaries instead of multiple plans to avoid confusion and discriminatory practices.
4. Since the MMA is already signed into law, what the government can do is to modify its subsidies. Instead of open-ended payments, it should set a cap on how much it will pay.
5. Transparency of records, especially when making legislations that involved large costs.
6. Non-interference of the Executive Office with the process of legislation. The president can campaign for a particular bill it he should not prevent the disclosure of information so that legislators will be able to make informed decisions.

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