



## NEWS RELEASE

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# MEDICARE BENEFICIARIES WITH VERY MODEST INCOMES WILL STILL FACE HIGH DRUG BILLS UNDER PROPOSALS IN CONGRESS

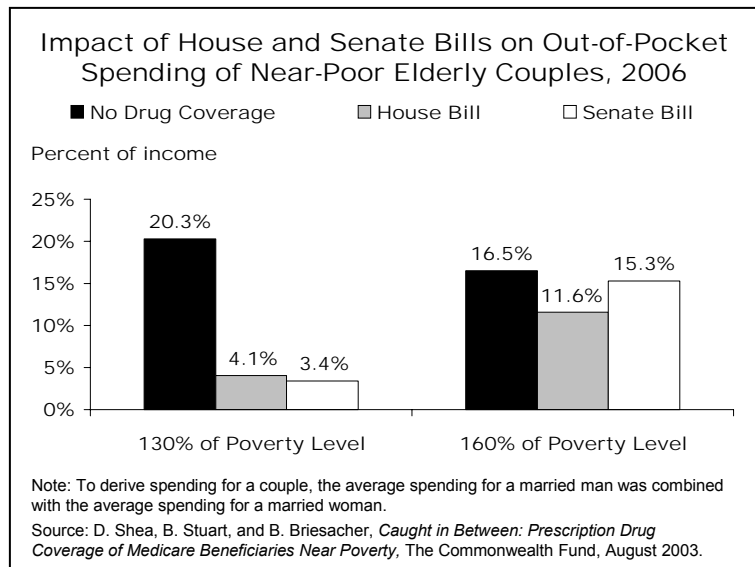
## Elderly Near-Poor Beneficiaries Will Be Hard Hit Without Comprehensive Coverage

New York City, August 15, 2003—Although Medicare beneficiaries with very modest incomes are the ones least likely to have drug coverage, many would receive only limited help under the Medicare drug bills being considered in Congress, according to a new report from The Commonwealth Fund. Average out-of-pocket costs for a couple at 160% of poverty would be reduced only slightly under both the House and Senate bills, according to the report, *Caught in Between: Prescription Drug Coverage of Medicare*

*Beneficiaries Near Poverty*, by Dennis G. Shea of the Pennsylvania State University, and Bruce C. Stuart and Becky Briesacher, both of the University of Maryland.

“Both the House and Senate drug bills fall short in the help they provide to needy beneficiaries,” said Karen Davis, president of The Commonwealth Fund.

“Most of the analyses today have focused on an individual beneficiary, but for an elderly couple trying to get along on a very modest income, high drug costs can be devastating. The bills now being debated in Congress will still burden many of these couples with large shares of their incomes devoted to paying for drugs.”



Beneficiaries living on \$10,000 to \$20,000 annually are less likely than those in either lower or higher income groups to have prescription drug coverage; they also spend more out of their own pockets for prescriptions. However, many elderly and disabled beneficiaries in this group would see limited benefit from the bills currently under consideration because premium assistance begins to be phased out for those above 130% of poverty. Low-income subsidies are phased out completely for those with incomes above 160% of poverty. While the Senate bill provides somewhat greater assistance to those at 130% of poverty, it does not provide coverage to Medicaid beneficiaries, leaving the states to pick up those costs.

In 2006, a couple at 130 percent of poverty (\$17,017 projected for 2006) with no drug coverage is estimated to spend one-fifth of their income on drugs. This couple would see their out-of-pocket drug costs reduced to 4.1 percent of income under the House bill, and 3.4 percent under the Senate bill. While both bills provide substantial subsidies for beneficiaries at 130 percent of poverty, subsidies are phased out at slightly higher income levels. A couple at 160 percent of poverty (\$20,944), still a very modest income, would pay \$2,437, or 11.6 percent of their income, on prescription drugs under the House bill, and \$3,208, or 15.3 percent of their income, under the Senate bill. Although this coverage is an improvement, spending between 10 and 15 percent of personal income on drugs still represents a significant financial hardship, especially in light of out-of-pocket expenses for other services, Part B premiums, and supplemental health insurance premiums.

About 10.2 million elderly and disabled Medicare beneficiaries fall in the \$10,000–\$20,000 income bracket. Beneficiaries in this near-poor group spend more out-of-pocket on prescription drugs than those in other income groups, despite the fact that their total drug spending is lower on average. More than one-fourth (27%) of the near-poor spent 5 percent or more of their income on out-of-pocket drug costs in 1999, while nearly one of eight (12%) spent 10 percent or more of their incomes on out-of-pocket costs for drugs.

The near-poor's out-of-pocket drug spending increased 37 percent from 1993 to 1999. More so than other income groups, they depend on private Medicare+Choice plans for their drug coverage—a highly unstable source of coverage in recent years due to plan withdrawals, rising cost-sharing, and shrinking benefits.