



TENTH  
CONGRESSIONAL  
DISTRICT

# CONGRESSMAN MARK KIRK'S MEDICARE UPDATE



## AARP Endorses Medicare's Guaranteed Prescription Drug Benefit

"AARP believes that millions of older Americans and their families will be helped by this legislation.

The bill will provide prescription drug coverage at little cost to those who need it most: people with low incomes, including those who depend on Social Security for all or most of their income. It will provide substantial relief for those with very high drug costs, and will provide modest relief for millions more. It also provides a substantial increase in protections for retiree benefits.

An unprecedented \$88 billion will encourage employers to maintain existing health retiree benefits. The legislation will help speed generic drugs to market and add important new preventive and chronic care management services."

Source: AARP

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Dear Friends,

After six years of debate, Congress finally passed legislation to add a guaranteed prescription drug benefit to Medicare. The legislation, the Medicare Modernization and Prescription Drug Benefit Act, passed with bipartisan majorities in both the House and Senate. I voted for this law and it was enacted by President Bush on December 8th.

When Medicare was founded in 1965, it paid for hospital and doctor's visits, but not prescription drugs purchased at a local pharmacy. Over 30 years ago, this omission had little impact on seniors because there were few prescription drugs available. Today, the cost of prescription drugs makes up over 30% of senior health care costs. For some patients fighting cancer or diabetes, the cost of prescription drugs can total \$36,000 in just one year.

Many seniors do not have a prescription drug plan. We do not want seniors forced to choose between food and the medicine they need. That is why it is so important to modernize our health care by allowing seniors to choose Medicare's guaranteed prescription drug benefit.

Now that this bill has become law, I want to provide you with key information about this legislation:

- **Seniors who already have their own prescription drug plan can choose to keep their original coverage. They will not be forced into a government plan.**
- **Tax incentives will be provided for businesses to continue prescription drug coverage for their retirees. With the new legislation, most employers will continue providing drug coverage for several million retirees.**

The information enclosed will show you how the new guaranteed benefit works and how we strengthened Medicare so that it remains strong for tomorrow.

It is an honor to serve you in the Congress. Please contact me if you have any questions or concerns.

Very truly yours,

# Guaranteed Prescription Drug Benefit

## Congress Adds a Prescription Drug Benefit to Medicare

*Seniors Who Already Have Coverage May Keep Their Own Plans*

**100%  
VOLUNTARY**

Most senior retirees in our community already have prescription drug coverage through their former employer or the Veterans Administration. **Under the new law, Medicare's new guaranteed prescription drug plan is strictly voluntary.** No one will be forced to join this plan. **If you like the plan you already have, keep it.**

With the rising cost of prescription drugs, many employers were considering dropping coverage for their retirees. At companies like Sears Roebuck, prescription drug coverage for retirees costs over \$100 million per year. The Department of Health & Human Services estimates that without action by Congress, over one third of retirees would be dropped from their retiree prescription drug plans. It is vital that we adopt policies to encourage employers to retain their protection plans for retirees.

That is why the new bill provides \$88 billion in employer incentives to retain prescription drug coverage plans for their retirees. Under the new law, employers will receive a 28% subsidy from the government for continuing drug coverage for their retirees.

The Congressional Budget Office estimates that this provision will allow millions of seniors to keep their own prescription drug plans through their former employers. If they do not want to join Medicare's guaranteed drug plan, they will have the peace of mind to keep their original coverage.



Congressman Mark Kirk recently met with seniors to explain how the new Guaranteed Medicare Prescription Drug Program is strictly voluntary.

## Health Savings Accounts Approved

*"Health IRAs" Offer New Opportunities to Save and Invest*

Under the new law, seniors may establish Health Savings Accounts to pay for medical expenses, **tax-free.**

Save  
&  
Invest

Workers under age 65 can now accumulate tax-free savings if they have qualified health plans with a minimum deductible of \$1,000 with a \$5,000 cap on out-of-pocket expenses. Contributions to your Health Savings Account can be made by you, your employer or family members with pre-tax dollars, up to a maximum of \$2,600 a year for individuals and \$5,150 for families. People who are over 55 can make "catch-up" contributions of an additional \$1,000 per year, \$2,000 per couple.

Using these provisions, a couple over 55 could contribute up to \$7,150 in pre-tax dollars to their Health Savings Account. All earnings of the account would be tax-free and the account could be passed on to your children as part of an estate. Funds built up in a Health Savings Account could substantially boost the tax-free savings of your other 401(k) or IRA accounts.

Dollars from your Health Savings Account can be used to pay for doctor, prescription drug or hospital bills not covered by insurance. You could also use the account to pay for Medicare supplemental health insurance.



## How the Prescription Drug Benefit Works

*Good News for Patients Fighting Cancer*

Many seniors, such as those fighting cancer, already have prescription drug coverage to lower such costs; others do not. Joining Medicare's new guaranteed prescription drug program is strictly voluntary. If you choose not to participate, you can remain completely outside this new program.

If you choose to join, you will be asked to contribute a \$35 monthly premium for the benefit. Once enrolled, Medicare will pay 75% of your annual drug costs up to \$2,250, after a \$250 deductible. For annual drug costs above \$3,600, Medicare will pay for 95% of your drug costs.

For low-income seniors (singles under \$12,900 per year and couples under \$16,000), the government will pay your premium and will charge \$2 per generic prescription and \$5 for name-brand drugs.

Over 40 million seniors and disabled Americans rely on Medicare. Today, seniors spend on average \$1,285 a year on medicine. Under this guaranteed, affordable prescription drug benefit, a senior will save \$335 – a 26% reduction in their medicine costs even after paying a monthly premium, annual deductible and copayment.

***Upon enactment of this law, Medicare is required to open this new guaranteed drug benefit for your choice to enroll in 2006.***

# Voluntary Prescription Drug Program

## New Rx Program Provides Preventive Care

*Leads to Healthier Lives for Seniors*

Since its inception in 1965, Medicare never emphasized preventive and management services to help seniors live healthier lives with lower medical costs.

Under the new guaranteed Rx program, seniors will get a free "Welcome to Medicare" physical examination, cholesterol and blood lipid screenings. Knowing one's health care needs as soon as possible helps seniors head off high health care costs with preventive care.

## All Seniors Eligible for a Medicare Discount Card

*Cards Offer 15% to 25% Discount on Drugs*



Six months after the new Medicare bill becomes law, 40 million senior and disabled Americans using Medicare will be able to realize significant savings of up to 25% off what they currently pay for drugs, thanks to a new Medicare Prescription Drug Discount Card.

**This new Discount Card is voluntary and seniors must apply for it via postal, telephone or Internet application.** The Department of Health & Human Services will soon release the application procedures for obtaining your new Medicare discount card.

The card will be swiped at the local pharmacy to calculate the discount. A 25% discount will save the average Medicare patient about \$300 per year in drug costs.

For low-income patients, the card has an added advantage for 2004 and 2005. The card will provide a credit of \$600 each year for seniors with incomes below \$12,900 for individuals or below \$16,600 for couples. This is intended to offer immediate help for low-income seniors, until the new Medicare Rx benefit program begins enrollment in 2006.

## Preventive Care Lowers Health Care Costs:

### DIABETES

Medicare did not pay for Glucophage to help control a diabetic senior's blood sugar level but it did pay for the costly regimen of dialysis and or amputation of an arm or leg:

#### Cost Comparison:

One month's supply of Glucophage	\$29
Hospitalization for Kidney Failure	\$6,700

Under the new Rx benefit, Medicare will now pay for Glucophage, preventing many kidney failures.

### HEART DISEASE

Medicare did not pay for Lipitor to help lower a senior's high cholesterol level but paid for visits to an emergency room and intensive care unit after a heart attack:

#### Cost Comparison:

One month's supply of Lipitor	\$108
Hospitalization for Heart Failure (\$5,000) AND Average of Four Hospitalizations per year (\$20,000)	\$25,000

Under the new Rx benefit, Medicare will now pay for Lipitor, preventing many heart attacks.

## Why Do Hospitals and Doctors Support This Plan?

*Guarantees Higher Payments To Ensure Care for Medicare Patients*

Both the **American Medical Association** and **American Hospital Association** endorsed the enactment of the Medicare Modernization Act because the bill offered enhanced reimbursements for the care of Medicare patients.

For hospitals, reimbursements will be increased for base payments, inpatient technology, medical education and community hospitals. The new law also cancels a planned 4.5% cut for doctor reimbursements and replaces it with a 1.5% increase.

These changes will help ensure that hospitals remain open and doctors continue to welcome Medicare patients to their offices.

# Medicare's Financial Foundation

## Strengthening Medicare's Finances

*Reforms to Enhance Medicare's Finances*

Under the new law, substantial reforms strengthen Medicare's finances, making sure our health care is strong today and tomorrow.

Medicare must begin to prepare today for the demands that will come. Currently, the Trustees of the Medicare Trust Fund report the program is financially strong through 2041. After that date, problems loom, creating a real need for reform to strengthen the program's finances.

Today, there are 40 million Americans who depend on Medicare. In 2010, the first "Baby-Boomers" turn 65 and become eligible for Medicare. In the coming years, the number of patients depending on Medicare will rise from 40 million to over 90 million Americans. We need to begin planning for this change now so that Medicare will remain financially strong for years to come.

By emphasizing preventive care through screenings and the new Rx benefit, the Medicare Modernization Act will ensure that patients receive advance warning of health problems and help with medicine to prevent catastrophic illness. This will dramatically lower costs for many chronic illnesses.

Medicare will also begin charging upper income seniors higher premiums for Medicare Part B coverage. For seniors with incomes above \$80,000 per year, Medicare will adjust premiums upward and index them for inflation to ensure Medicare has funding to cover the future medical needs of all seniors.

### Cost Reductions for Major Drugs Under the Bipartisan Law [\$ for 30 Tablets]

Drug	Retail Price	Discount Card	Beneficiary's 25% Cost	Beneficiary's 5% Cost
Lopressor	45.99	36.79	9.20	1.84
Imdur	48.89	39.11	9.78	1.96
Lipitor	108.65	86.92	21.73	4.35
Proscar	82.59	66.07	16.52	3.30
Celebrex	86.28	69.02	17.26	3.45
Zyrtec	69.52	55.62	13.91	2.78
Vanceril	51.05	40.84	10.21	2.04
Norvasc	34.94	27.95	6.99	1.40
Fosamax	80.45	64.36	16.09	3.22
Zoloft	78.96	63.17	15.79	3.16

Source: Shopping Smart for Prescription Drugs: A Guide to Discounts on Medication, Chicago Department of Public Health, Office of Managed Care. Prices as of September 2002

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