Rothman Opposes Republican Plan to Privatize Medicare

November 21, 2003

Rothman Opposes Republican Plan to Privatize Medicare
Says Measure Would Harm New Jersey's Seniors

Washington, DC - Congressman Steve Rothman (D-NJ9) tonight released the following statement announcing his opposition to a Republican plan to privatize Medicare.

"For seven years, I have been pushing and voting for a voluntary prescription drug benefit under Medicare. Such a plan would give seniors access to the quality, affordable, life-saving medicines they need. Unfortunately, the final Medicare bill - written in secret by the very same Republicans who eight years ago shut down the federal government as part of their strategy to force Medicare to wither on the vine - does exactly the opposite of what it is supposed to do. Instead of providing seniors with a voluntary, guaranteed drug benefit, the bill provides no drug coverage until 2006, and then forces millions of seniors to pay more for drugs if they don't give up their doctor and join an HMO - HMOs that can raise premiums at will and will throw out seniors who get too sick. The bill is nothing less than an outrageous giveaway of taxpayer funds to the health insurance industry.

"A $12 billion slush fund in the bill will be doled out to insurance companies that offer privatized Medicare services and employers are given a $70 billion windfall to maintain their retiree drug plans. These subsidies create a huge bias in favor of private plans. That's not competition, it's corporate welfare, and it's wrong.

"The Congressional Budget Office projects that when the drug benefit begins in 2006, the average senior will spend $3,155 annually on prescription drugs. Under the Republican bill, because it so loaded up with giveaways to the private insurance industry, a senior with an income over $13,500 will pay $2,075 out of the first $3,155 in total drug costs - 66 percent or two-thirds of the total - including the $35 monthly premium and the $250 annual deductible. And on top of these costs, 52,000 New Jersey seniors will face additional increases in their Part B premiums.

"Also, instead of a voluntary benefit under Medicare, seniors will lose their doctors and be forced out of the system they know and trust. Worse still, 220,000 New Jersey seniors enrolled in PAAD and Senior Gold will have their health jeopardized and their choice of medicines limited by restrictive drug formularies imposed on the State by managed care plans. These seniors will face disruption in their coverage and will likely get less help than they currently receive. And it's a bad bill for doctors, whose reimbursement rates will be set not by the federal government, but by HMOs out to make a profit.

"It is an especially bad deal for New Jersey seniors. As a result of the Republican bill, 94,000 New Jersey retirees will loose their drug coverage, 2-3 million nationwide. Over 150,000 Medicaid beneficiaries in New Jersey will pay more for drugs and 186,000 New Jersey seniors will be forced to leave traditional fee-for service and accept vouchers to enroll in private plans starting in 2008.

"The Republicans controlling the House of Representatives today dislike Medicare so much that they are literally willing to subsidize private health insurance companies to compete with Medicare, paying those companies $82 billion to create new private bureaucracies to handle prescription drugs for seniors and to even go so far as to build in a profit for them. We tried this experiment once already, giving private plans subsidies to offer Medicare services in the form of Medicare + Choice. But despite these subsidies, private Medicare + Choice plans felt they could not make enough of a profit, so they cut benefits and dropped hundreds of thousands of policyholders. Not only will this bill ultimately destroy Medicare and force seniors and their doctors into dealing with private HMOs, but the $82 billion could have been invested into the existing Medicare infrastructure, covering all seniors with a voluntary prescription drug program and reducing the premiums and co-pays for our nation's seniors.

"Most galling, the bill expressly prohibits the federal government from negotiating prices with the drug industry. The government already permits such negotiation in prices by the Department of Veterans Affairs and the Department of Defense - if this is good enough for veterans and those serving on active duty in the armed forces, why not for seniors? This is a $139 billion gift to drug companies in windfall profits. If Republicans were serious about reducing costs, their bill would not block the Secretary of Health and Human Services from using Medicare's enormous purchasing power to bring drug prices down.

"AARP, which claims to speak for seniors, but is in fact a big insurance company with over $200 million in commissions on health and life insurance policies and prescription drug plans, has hastily endorsed the bill. Like hundreds of rank and file AARP members in my district who have called my office to disavow the national group's decision, I am outraged that AARP renounced the anti-privatization principles it claimed were central to its support. For this reason, I have resigned

my AARP membership.

"As many have said, this bill is a Trojan Horse: a radical dismantling of Medicare masquerading as a prescription drug bill. We must not forget that only a handful of Republicans voted for Medicare when Democrats created the program nearly 40 years ago. And at every turn since 1965, the Republican Party has worked to weaken a popular and successful health care system that allows seniors' and their personal doctors to manage their own care.

"We must not now adopt a privatization scheme that will harm seniors and risk Medicare's future. Instead, Congress ought to add a simple, straightforward and voluntary drug benefit to Medicare, save the $82 billion in subsidies to private insurance companies and private plans, and apply that money to lessen seniors' Medicare drug premiums and co-pays. And then we should engage in a real bipartisan discussion about the future of Medicare - out in the open and not in a secret congressional backroom."

###

Go back