William (Larry) Minnix, Jr., Chair

November 6, 2006 Sent By Fax

Dear Member of Congress:

The undersigned members of the Leadership Council of Aging Organizations (LCAO) are writing to urge you to take action in November on important issues regarding Medicare before you adjourn the 109th Congress.

The groups represented by the Leadership Council undertook an unprecedented effort at the national, state and local level, with very limited funding from CMS and the Administration on Aging to provide outreach, education, counseling and enrollment assistance to thousands of Medicare beneficiaries prior to the May 15 enrollment deadline. Our experience working with the most vulnerable older people, including the dual eligibles, has given us a unique perspective on the new benefit and ways Congress could enhance the program to more effectively meet the needs of people with Medicare.

We look forward to working with Congress to improve this program for America's older people and to eliminate any existing barriers to obtaining needed information and enrolling in Part D.

Below are the most pressing concerns and those on which we believe Congress needs to take immediate action:

Late Enrollment Penalty
As we stated in our letter to Congress on May 12th, we strongly support waiving the late enrollment penalty for those who missed the May 15th deadline. While we appreciate the fact that the Administration waived the penalty for those who qualify for the low-income subsidy, we believe all beneficiaries should be given the opportunity to enroll after May 15th without penalty and we support legislative efforts to do so.

Counseling Resources
We strongly support providing additional funding for one-on-one counseling through the aging network. State and area agencies on aging and the nationwide network of State Health Insurance and Assistance Programs (SHIPs) are well positioned to serve the growing needs of people with Medicare as they wade through all the information about available options under Part D. But they sorely need additional resources to reach the most vulnerable beneficiaries and their families and caregivers. Counseling beneficiaries in their enrollment decisions has been a very time-intensive and resource-draining task, without which there would be only greater confusion than currently exists.

The Asset Test for Low-Income Assistance
To help facilitate enrollment, we urge Congress to eliminate the asset test for the low-income subsidy. We believe it poses an unnecessary barrier to low-income persons enrolling in Part D. While CMS has estimated that 8.4 million Medicare beneficiaries who are not automatically enrolled in the subsidy may be eligible, fewer than 5 million people have applied. Of those who have applied, only 1.6 million have

been approved. That means more than 4 out of 5 people who should qualify for the subsidy is not getting it.

Price Negotiation for Lower Cost Drugs
We recommend giving the Secretary of Health and Human Services the authority and duty to negotiate for lower drug prices for Medicare beneficiaries just as the Department of Veterans Affairs does. Price negotiation makes good business sense and would save money not only for beneficiaries but for all taxpayers.

Improving Overall Part D Benefit
We realize that for some people with Medicare, the Part D benefit is their only drug coverage. About two-thirds of all beneficiaries had some coverage either through an employer plan or a Medigap plan. So for those who had no coverage prior to January 1, 2006, this represents an improvement in Medicare. But we know the benefit can and should be improved over time. Specifically, the "donut hole" will leave many people with high out-of-pocket drug costs with no coverage at all for their drugs while they still are required to make monthly premium payments. This will become a major financial burden for people with limited incomes who rely on prescription drugs to treat chronic conditions. Congress should consider immediate methods to either close the donut hole or allow beneficiaries to suspend payment of premiums while they are not receiving any benefit other than the continuation of insurance coverage.

In addition, rules regarding the calculation of "true out-of-pocket costs" unfairly penalize beneficiaries whose prescription drugs are not covered under Part D. These rules should be amended so that the calculation includes expenditures for all prescription drugs whether or not they are covered under Part D or covered by the plan in which the beneficiary is enrolled.

Furthermore, because the benefit thresholds are indexed to inflation, the gap in coverage will grow over time. In 2006, the gap in coverage – in which beneficiaries pay premiums but have no coverage for their prescription drug costs – is $2,850. Next year that gap will grow to $3051.25, according to CMS's projections, and to $5,066 in 2013, according to the Congressional Budget Office. Congress should pass legislation that addresses this so the benefit could be improved over time by filling in this gap.

Medicare Option for Prescription Drug Coverage
One way to address many of these concerns, including price negotiation, would be to provide all beneficiaries with the option to enroll in a Medicare-administered prescription drug plan. Providing that option would give seniors the predictability and security of coverage they need and deserve.

Thank you for your consideration, and we welcome the opportunity to work with you to enact changes that will make this new drug benefit work for all 43 million Medicare beneficiaries.

AFL-CIO
AFSCME Retiree Program
Alliance for Retired Americans
American Association for International Aging
American Association of Homes and Services for the Aging
American Federation of Teachers Program on Retirement & Retirees
American Geriatrics Society
American Postal Workers Union Retirees
American Society of Consultant Pharmacists
American Society on Aging

Association for Gerontology and Human Development in Historically Black Colleges and Universities
B'nai B'rith International
Catholic Health Association of the United States
Families USA
Gray Panthers
International Union, UAW
National Academy of Elder Law Attorneys
National Association of Nutrition and Aging Services Programs
National Association of Professional Geriatric Care Managers
National Association of Retired and Senior Volunteer Program Directors, Inc.
National Association of Senior Companion Project Directors
National Association of State Long-Term Care Ombudsman Programs
National Association of State Units on Aging
National Committee to Preserve Social Security and Medicare
OWL, The Voice of Midlife and Older Women