

Personalized letter sent to members of the Senate Finance Committee

July 20, 2001

The Honorable Max Baucus
Chairman, Senate Finance Committee
511 Hart Senate Office Building
Washington, DC 20510

Dear Senator Baucus:

In expectation of the Senate Finance Committee's mark-up of "Medicare Modernization" legislation, the American College of Physicians-American Society of Internal Medicine (ACP-ASIM) offers the following comments on pending legislative proposals. ACP-ASIM represents over 117,000 internal medicine physicians and medical students. Internists serve more elderly patients than any other medical specialty and are, therefore, in a unique position to give guidance on the prescription needs of Medicare beneficiaries.

We appreciate the efforts of the Committee to design a Medicare prescription drug proposal. The current legislative proposals, particularly Senator Graham's Medicare Reform Act of 2001 (S. 1135) and Breaux/Frist II (S. 358), show careful consideration of the major issues in providing seniors with prescription drug coverage and modernizing the Medicare system. ACP-ASIM has formulated a number of policy recommendations on reforming Medicare and designing a drug benefit. Specifically, we recommend the following:

- **Financing:** ACP-ASIM supports adding a prescription drug benefit under Medicare that is financed in such a way as to bring in sufficient revenue to support the costs of the program, both short and long term, without further threatening the solvency of the Medicare program or requiring cuts in payments for other services or reduced benefits in other areas. The provisions in Senator Graham's bill, S.1135, indexing the Part B deductible and creating a sliding scale Part B premium, are important first steps in ensuring adequate financing for prescription drug coverage. However, we remain concerned that neither S. 1135 or S. 358 sufficiently identifies the funding sources that will be required to sustain a prescription drug benefit. Relying solely on general revenues to fill the gap between the cost of the benefit and beneficiaries' contributions is likely to squeeze funds available for other programs and for Medicare Part B (which also depends on general revenues and premium contributions for financing). The likely result will be future cuts in the prescription drug benefit, in Medicare Part B, and/or in other programs.
- **Coverage:** Highest priority should go toward making prescription drugs affordable to those most in need: low income beneficiaries who do not have access to drug coverage

under other plans. We support provisions in both S.1135 and Breau/Frist II, S.358, that vary cost-sharing and premium contribution requirements by income, thereby requiring low-income beneficiaries to pay less for prescription drug coverage.

- **PBMs:** ACP-ASIM supports the use of pharmacy benefit managers (PBMs) with the proper consumer protections: close government regulation and industry self-regulation of PBMs; disclosure to patients, physicians and insurers of the financial relationships between PBMs, pharmacists and pharmaceutical manufacturers; PBM requests to alter medication regimes should occur only when such requests are based on objective data supported by peer-reviewed medical literature, and undergo review and approval by associated MCO/MBHO Pharmacy and Therapeutics Committees; and, with a patient's consent, PBMs should be required to provide treating physicians with all available information about the patient's medication history. We support the use of PBMs as described in S.1135 and encourage expanding the language to include the proper consumer protections outlined above.
- **Formularies:** ACP-ASIM supports the use of formularies provided that proper consumer protections are written into the authorizing legislation. We recommend that the committee specify in the bill that decisions by PBMs or Department of Health and Human Services about which drugs are chosen for formulary inclusion should be based on effectiveness, safety and ease of administration rather than solely based on cost; and, formularies should be constructed so that physicians have the option of prescribing drugs that are not on the formulary (based on objective data to support a justifiable, medically indicated cause) without cumbersome prior authorization requirements. The bill should also require PBMs to notify beneficiaries in advance on the impact of their copayments if they use a drug that falls outside of the approved formulary. PBMs should also be required to inform beneficiaries and physicians about changes in formularies at least 60 days in advance.
- **Modernization:** (1) ACP-ASIM opposes converting the system to a defined contribution program. Such a change would erode the guarantee that all elderly and disabled Americans, regardless of income and residence, will have access to affordable, quality coverage. (2) ACP-ASIM supports: expanding the ability of Medicare to use private sector purchasing and quality improvement tools for traditional (FFS) Medicare; introducing competition into the selection of Medicare carriers and intermediaries; and expanding the use of competitive bidding for Part B services other than physician services. We recognize the efforts of Sens. Breau, Frist and Graham in trying to develop a competitive system that still provides high-quality benefits to Medicare recipients. (3) ACP-ASIM supports developing demonstration programs that use case management to coordinate services for patients with complex conditions, and establishing delivery systems that provide coordinated and comprehensive care in the FFS sector for beneficiaries suffering from chronic illnesses. S. 1135 establishes similar programs, however, ACP-ASIM suggests that the committee first evaluate the results of existing demonstration projects to determine the success and usefulness of coordinated care and disease management systems and take such findings into account in authorizing them on a larger scale.

As the Finance Committee reviews the various Medicare modernization and prescription drug proposals, we hope that you will keep ACP-ASIM's recommendations in mind. As we continue to formulate policy on reforming Medicare, we look forward to sharing our positions with you in order to design a meaningful benefit that provides Medicare beneficiaries access to desperately needed prescription drugs.

Sincerely,

William J. Hall, MD, FACP
President