Congress Strikes a Tentative Deal on Drug Benefits

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By ROBERT PEAR

WASHINGTON, Oct. 22 - House and Senate negotiators said on Wednesday that they had agreed on the structure of prescription drug benefits to be offered to 40 million elderly and disabled people in the biggest expansion of Medicare to date.

The tentative agreement signaled new momentum for the Medicare bill, with Republicans voicing optimism that they would soon complete work on the measure, their highest domestic legislative priority.

The accord would offer relief for 10 million people who have no drug coverage and could ease prescription costs for millions of others.

The approach the negotiators are taking to the proposed drug benefit is closer to the version passed by the more conservative House, and subsidies for lower-income Medicare recipients would be less than those envisioned by the Senate.

Several sticking points remain that could derail the bill or provoke a Democratic filibuster in the Senate.

Some Democrats, including several who voted for the Senate version of the legislation in June, expressed deep concerns about one feature of the measure taking shape in a conference committee controlled by Republicans - a provision that requires the government-run Medicare program to compete directly with private health plans.

Senator Tom Daschle of South Dakota, the minority leader, and other Democratic senators have scheduled a news conference for Thursday in which they will release a letter to President Bush laying out issues that must be resolved before they will support the legislation.

The new drug benefit would be a major addition to what Medicare provides, though less than what is generally available to workers under 65 with private health insurance, according to documents prepared by conference committee members.

Under the new structure of benefits, Medicare recipients would have to pay premiums averaging $35 a month and a $275 deductible for drug coverage.

The beneficiary would pay 25 percent of drug costs from $275 to $2,200 a year. Medicare would pay the other 75 percent. The program would then pay nothing until the beneficiary had spent a total of $3,600 out of pocket.

That gap in coverage, sometimes called a doughnut hole, exists mainly because Congress decided that it did not have enough money to finance a more complete benefit.

After spending $3,600, the beneficiary would pay 5 percent of the cost of each prescription - or a nominal co-payment, perhaps $5 or $10 for each prescription.

Although the Medicare bill addresses a wide range of other issues, the drug benefit is the guts of the legislation, the part about which beneficiaries care most.

On the same day, June 27, a Republican Medicare bill was passed in the House by one vote, 216 to 215, and a bipartisan bill cleared the Senate, 76 to 21, with support from three-fourths of the Democrats and four-fifths of the Republicans.

The prospects for a quick deal evaporated by mid-July, as lawmakers realized how hard it would be to find a compromise. The negotiations got back on track under pressure from Republican leaders and the conference chairman, Representative Bill Thomas, Republican of California.

It is unclear whether the final product will attract bipartisan support. In interviews on Wednesday, four Democratic senators who voted for the Senate bill in June - Jeff Bingaman of New Mexico, Kent Conrad of North Dakota, Ben Nelson of Nebraska and Bill Nelson of Florida - voiced

reservations about the work of the conference committee.

"It's important that the focus remain on providing generous prescription drug coverage to low-income seniors," Mr. Bingaman said. "I am concerned that that's not going to emerge from the conference committee."

House Republicans insist on keeping the provision of their bill that calls for price competition between private plans and traditional Medicare in 2010. Such competition, called "premium support," would save money in the long run, they say, and it is essential to winning the votes of conservatives.

But Senator Conrad said: "Premium support, in the form being pushed by the House, would kill this legislation in the Senate. The competition model just doesn't work in my part of the country."

Bill Nelson said the competition sought by the House was "a deal breaker" because it would drive people into private plans by increasing premiums in the traditional fee-for-service Medicare program. "Seniors in Florida will be up in arms," he said.

Ben Nelson, a former director of the Nebraska Insurance Department, said he worried that "healthier seniors would be the first to enroll in private plans, leaving the sickest of the sick in fee-for-service Medicare."

Senator Olympia J. Snowe, Republican of Maine, a principal architect of the bipartisan Senate bill, described premium support as "an untested, uncharted approach."

"I don't think we can afford to go off on an ideological venture," Ms. Snowe said. "I don't want to play trial and error with senior citizens' health care."

One of the most hotly debated issues in the Medicare bill is how to help low-income beneficiaries with their drug costs. Documents from the conference committee show that the House and Senate negotiators have decided to provide a limited amount of extra assistance to about six million people.

The government would eliminate the premium and the

deductible for an individual below 135 percent of the poverty level - income less than $12,123 a year. The beneficiary would have to pay a $2 co-payment for each generic drug and $5 for each brand-name drug until the overall cost of the person's prescriptions reached $5,000. Medicare would cover all costs beyond that.

In addition, Medicare would provide more modest subsidies to people with incomes from 135 percent to 150 percent of the poverty level ($12,124 to $13,470). They would have to pay a $50 deductible; reduced premiums, depending on their income; and 15 percent of the cost of each prescription until they had spent $3,600 out of pocket.

But a strict assets test could disqualify people with assets over $10,000. They would not receive "low-income subsidies," even if they had very low incomes.

House and Senate negotiators said these issues were still unresolved:

•How to ensure that the cost of drug benefits does not exceed $400 billion over 10 years.

•Whether to allow consumers and pharmacies to import drugs from Canada and Europe.

•Whether to offer new tax breaks to encourage people to save for medical expenses.

The negotiators are also searching for ways to deter employers from dumping their obligations for retiree health benefits onto Medicare.

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