

Medicare & Drugs: The Elusive Prize Revisited

WITH PHARMACEUTICAL MANUFACTURERS declaring that they are prepared to cooperate with the Clinton administration and Congress, and the president applauding their move as “a very good first step,” the stage seems set

for a debate over whether Medicare should add outpatient prescription drugs to its benefit package. No one doubts that lack of such coverage is a formidable barrier to effective therapy, especially for the many beneficiaries afflicted with chronic illnesses who often must rely on drugs prescribed on an outpatient basis (see Steinberg and colleagues, page 198). Nevertheless, the issues present a formidable challenge for drug companies, legislators, and the administration as they search for compromise in an election year.

Such a benefit poses a particular dilemma for drug makers. There is no question it would accelerate demand for their products. The latest government data (see Poisal and colleagues, page 248) show that Medicare beneficiaries without drug coverage—some 11.6 million people—consistently use fewer prescriptions, spend more out of pocket, and have less in total health expenditures than elderly people with drug coverage. At the same time, drug companies recognize that a Medicare drug benefit would certainly invite much closer government scrutiny of their prices and, inevitably, ongoing efforts to constrain their growth. Last year these firms calculated that the expanded market potential was not worth the prospect of price controls and strongly opposed Clinton’s proposal. This year the message has changed, presumably because drug makers have concluded that their interests would be better served by accommodation of, rather than confrontation with, the administration and Congress. Clinton, perhaps responding in kind, never mentioned rising drug prices when he urged

Congress, in his State of the Union address, to “give every senior a voluntary choice of affordable coverage for prescription drugs.”

Legislators will be challenged by the drug issue, too, because of

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its cost, if for no other reason. The Congressional Budget Office (see page 212) estimates that President Clinton's initial proposal would add \$136 billion to federal costs for Medicare from 2002 to 2009, while beneficiaries would pay premiums totaling \$121.5 billion over this period for just the drug benefit. The opposition of pharmaceutical manufacturers and affluent elderly beneficiaries, most of whom already had drug coverage, to paying higher premiums without a concomitant benefit, led Congress to repeal the Medicare Catastrophic Coverage Act in 1989. Once again, Congress must decide how much of the Medicare drug bill beneficiaries should pay for through premiums and how much should derive from general revenue (society).

Congress has not seriously dealt with drug issues in the context of Medicare for more than a decade; thus, an information gap exists on the subject. In an effort to help close that gap, this volume is largely dedicated to papers that offer a wealth of new information and insights on prescription drugs, Medicare, and managed care. We greatly appreciate the support of the California HealthCare Foundation, the John A. Hartford Foundation, and the Henry J. Kaiser Family Foundation for this issue. All three organizations have granted substantial sums to a variety of organizations in an effort to broaden understanding of prescription drugs.

Regrettably, two long-time employees of Project HOPE, who have made substantial contributions to *Health Affairs*, are departing. William B. Walsh, chief executive officer of HOPE since 1991, announced in late January his plans to retire from the organization, which he has served for more than thirty years. Under his leadership, HOPE greatly expanded its international health education programs, especially in Eastern Europe, the Newly Independent States, and China. Walsh also was assiduous in his efforts to protect the editorial freedom of *Health Affairs*. Charles A. Sanders, chairman of the HOPE board, saluted Bill for leaving the organization "in a strong position, poised to continue its role as a leading international health foundation." Jane Hiebert-White, the journal's executive editor and my strong right arm for sixteen years, has resigned for the very best of reasons: to become a full-time mother to her two young children. Jane will be sorely missed by all of us at the journal for her strong commitment to excellence, low-key professionalism, and command of the English language.

JOHN K. IGLEHART, FOUNDING EDITOR