STATEMENT OF CHAIRMAN GORDON H. SMITH
U.S. Senate Special Committee on Aging
"Meeting the Challenges of Medicare Drug Benefit Implementation"
February 2, 2006

Good morning, and thank you all for coming.

I'd like to welcome everyone to the Aging Committee's first hearing of 2006. The topic we're addressing today—the new Medicare prescription drug benefit—is an issue that has received quite a bit of attention since the program went into effect on January 1. I am glad this Committee will be the first in the Senate to have the opportunity to hear a status report on what has been done to address some serious issues that have emerged with implementation, and to discuss what needs to be done to make sure the drug benefit is working for all beneficiaries.

We have all been troubled by reports of some beneficiaries experiencing significant problems receiving their medications. But that does not mean the program isn't working. Twenty-four million beneficiaries have enrolled in a prescription drug plan as of mid-January, and many of those are receiving coverage for the first time.

The new Medicare drug benefit represents one of the largest health initiatives ever undertaken by the federal government. Therefore, it is not surprising that there have been challenges. What I am troubled by is the extent of these problems and the perception that the federal government was not prepared for the program's start on January 1.

The goal of today's hearing is to evaluate CMS' ability to address current problems in a timely manner and to anticipate future problems before they happen. Only when this happens can we regain beneficiaries' confidence.

It is most unfortunate that many of the problems reported involve the so-called dual eligibiles. These often are the poorest and most vulnerable Americans who rely on medications to manage their chronic physical and mental illnesses. We knew there would be challenges associated with their transition from Medicaid into the new Medicare drug benefit, but it seems that we did not prepare enough to ensure a seamless transition.

Last March this Committee held a hearing where experts offered solutions to the very problems the program has experienced. I felt their recommendations had merit, strongly enough so that Senator Kohl and I sent a follow up letter urging their adoption by CMS. While I applaud CMS' efforts to address the current situation, I have to question whether any of this would have developed if the recommendations had been adopted.

However, now is not the time to look back and point fingers. Rather, it is time to fix the problems and get this program back on track as quickly as possible. To do this, I hope to have a number of key questions answered today.

First, is accurate enrollment information about dual eligibles available to plans and pharmacists to ensure beneficiaries can receive their medications at the correct price?

Second, have the call center hold times improved so beneficiaries and pharmacists can get access to accurate information in a timely manner and resolve problems?

Finally, are low income beneficiaries still being denied drugs or charged inappropriate deductibles and copayments?

I know that progress is being made to improve communication between all parties, but I am still hearing reports that not all plans and pharmacies are aware of the options available to address problems when they arise. This is certainly the case with the "first fill"' policy, which requires plans to cover the cost of a 30-day emergency supply of medication when a beneficiary needs a drug that is not covered by his or her formulary.

While all plans reportedly had "first fill" policies in place on January 1, many pharmacists and plan representatives were not aware of them, and even if they were, they couldn't get the authorization necessary to dispense the drug.

I also want to commend states, like Oregon, that took action and created stop-gap programs to pay the costs of emergency medications. I am committed to ensuring states are reimbursed for their expenses. Medicare is a federal program and these costs should be born by the federal government.

While the focus of this hearing is on the immediate challenges associated with implementation of the Medicare drug benefit, there are some programmatic changes that are needed. One such change is extension of the institutional copayment exemption to dual eligible beneficiaries who receiving care in home and community based settings.

Under current law, dual eligibles who reside in nursing homes are not required to pay copayments for generic or brand name drugs. However, those who live in assisted living facilities or receive services through adult day care programs or other types of community-based services are required to pay these costs.

Considering that dual eligible beneficiaries in both nursing home and community-based care settings generally have the same amount of resources available to them, this is simply not right. It puts dual eligibles in states like Oregon, which provide most of their long term care services in community settings, at a disadvantage and may even create a disincentive for individuals to choose community-based care options in the future.

I intend to work with my colleagues to address this inequity. Yesterday, I introduced a bill, along with Senator Bingaman, that would extend the copayment exemption to dual eligibles receiving care in their home or a community setting. I believe this small change to the Medicare drug program will have an enormous impact in ensuring low-income beneficiaries have continued access to their drugs, while protecting their right to receive care in the setting of their choice. I hope my colleagues will consider supporting this proposal.

I look forward to today's discussion and I hope we have a thoughtful and productive dialogue. We have excellent witnesses, including two beneficiaries who will discuss the successes and challenges associated with the program's implementation.

With that, I'll turn to my colleague Senator Kohl for his opening remarks.