

Medicare Maladies

A Series that Exposes the Dangerous Elements of the Medicare Bill currently in Committee

MM #30: How Much Are Future Drugs Worth To Retirees?

Prescription drugs are priceless as they improve our lives or even keep us alive.

But business keeps an eye on the bottom line. Many would cut their retiree drug benefits if given a chance. And that chance is drawing ever closer as politicians move to make prescription drugs available to all seniors through Medicare.

The problem is the \$400 billion benefit Congress is eyeing could cost millions of retirees benefits worth tens of thousands of dollars each—benefits their companies promised them. Specifically, average retirees could lose between \$73,599 and \$110,398 in future drug benefits if their companies dump them into Medicare, according to Heritage Foundation health-care expert Lanhee Chen in a forthcoming research paper.

Here's how: Chen notes that today's 65-year-old retirees are expected to live until about 85. He then uses government data that show businesses spend between 40 percent and 60 percent of retiree health benefits on prescription drugs. Chen estimates that, by dropping their current drug benefit and forcing seniors onto the proposed Medicare benefit, employers would save millions. But retirees would lose as much as \$110,000 in benefits each over a 20-year period.

Chen says the Medicare proposals should concern seniors who have “forgone thousands of dollars over their working careers for the promise of a retiree drug benefit.”

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(“Medicare Maladies” is a regular feature, launched 7/14/03, from The Heritage Foundation. Sad to say, there's another malady coming your way tomorrow. Daily “maladies” are also available on heritage.org.)