MM #59: Even A Clinton Health Adviser Thinks This Is Bad

As a former health-care adviser to President Clinton, Ken Thorpe knows a lot about the federal government becoming more involved in health care.

That's why one of his points during an Oct. 7 lecture at The Heritage Foundation was quite noteworthy. Thorpe found that the average annual value of a retiree's private prescription drug benefit in 2006 would be worth about $1,180 more than what the government could offer under proposed Medicare legislation now pending before Congress.

Thorpe said private retiree drug benefits would be about $2,800 annually in 2006, when legislation that would make prescription drugs a Medicare entitlement would take effect. Under the Senate version of the Medicare bill, government-run drug benefits would be worth an average of $1,620 annually, Thorpe said. Under a House version, that figure would be $1,680.

Still, these less generous benefits could be tempting to businesses. Here's how: Under the House and Senate plans, government-run drug coverage will be subsidized more than what Medicare offers private insurers for their drug coverage. This allows businesses a way to end their drug coverage, dump their retirees into Medicare, and walk away with millions. And there will be a lot of dumped retirees: More than 4 million by Thorpe's count, which mirrors an earlier study by the Congressional Budget Office.

But it's not too late for lawmakers who are working on a compromise House-Senate Medicare bill to do something. Read more about it and Thorpe's study at heritage.org.

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