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ONE HUNDRED TENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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October 14, 2008

The Honorable Kerry Weems  
Acting Administrator  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Mr. Weems:

I am writing regarding my continuing concerns about rapidly increasing premiums for Medicare Part D drug plans.

On September 25, 2008, CMS released information on drug plan premiums for 2009. CMS stated that “in every state, beneficiaries will have access to at least one prescription drug plan with premiums of less than \$20 a month,” and that “97 percent of beneficiaries enrolled in a stand-alone prescription drug plan (PDP) will have access to Medicare drug and health plans in 2009 whose premiums would be the same or less than their coverage in 2008.”<sup>1</sup> These statements by CMS — which imply that most seniors will not be affected by increasing Medicare Part D premiums — are misleading.

My staff conducted a detailed comparison of the newly released 2009 Part D monthly drug plan premiums with the 2008 costs for those same plans. The analysis reveals that in 2009, 16.3 million Medicare beneficiaries — 92% of all Part D PDP enrollees — will be forced to pay higher premiums if they wish to remain in the same prescription drug plan. Beginning in January 2009, average PDP drug plan premiums will increase by 22%, from an average of \$31.15 per month to an average of \$38.07 per month. This rate of increase is four times the inflation rate.

In many cases, increases in drug plan premiums will be even higher, costing seniors hundreds of dollars annually if they choose to remain in their plan. Enrollees in the basic Humana PDP plan in New York will see premiums increase from \$29.50 to \$55.20 per month, an increase of \$25.70 per month. Similarly, enrollees in the Community Care Rx Basic Plan will

<sup>1</sup> CMS, *CMS Announces the 2009 Medicare Advantage and Part D Plan Options* (Sep. 25, 2008).

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pay a premium increase of \$21.90 per month, with premiums increasing from \$19.90 to \$41.80. One plan, the Rocky Mountain Health Plan Basic Rx plan in Colorado, will increase premiums by \$79.20 per month in 2009.

In addition to increasing premiums, Part D plans are also cutting back on benefits, either increasing copays or reducing coverage in the donut hole. For example, there are presently 119 plans (with an enrollment of over 430,000) that cover all generic drugs in the donut hole, but will cut back this coverage, either covering no drugs or only selected drugs, in 2009. Similarly, there are over 300,000 seniors enrolled in Part D plans that presently charge no deductibles who will now be forced to pay these deductibles in 2009.

2009 will be the third consecutive year in which Part D drug plan premiums have increased at well above the inflation rate. In 2007, premiums increased by 13.2%.<sup>2</sup> In 2008, premiums increased by 16%.<sup>3</sup> Overall, in the three years since the program's inception, average drug plan premiums have increased by almost 50%, costing the average senior an additional \$150 annually.

These price increases are causing significant hardships, particularly for seniors who live on fixed incomes, and who are already faced with rapidly increasing costs for food, gasoline, and shelter. Investigations by my staff have suggested some likely reasons for these rapid increases: high administrative costs for the Part D plans; the Part D plans' utilization of pricing formulas that fail to control drug price inflation, allowing drug manufacturers to increase prices at will and to pass wholesale price increases directly through to Part D enrollees; and the inability of the Part D plans to obtain significant drug price rebates.<sup>4</sup> Each of these factors results in higher Part D drug plan premiums and higher out-of-pocket drug costs for seniors.

To assist the Committee in its ongoing investigation into these issues, I ask that you provide the following information:

1. All analyses prepared by or for CMS regarding the causes of increases in Part D premiums.
2. All analyses prepared by or for CMS regarding the impacts of increases in Part D premiums on program enrollment, program costs, and program beneficiaries.
3. All estimates prepared by or for CMS of expected Part D premium increases for the years 2010 through 2012.

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<sup>2</sup> Letter from Rep. Henry A. Waxman to the Honorable Michael O. Leavitt (Oct. 12, 2006).

<sup>3</sup> Avalere Health Care, *Avalere Analysis Shows 16% Premiums Increase for Enrollees in Top 10 Medicare Drug Plans* (June 4, 2008).

<sup>4</sup> House Committee on Oversight and Government Reform, *Medicare Part D: Drug Pricing and Manufacturer Windfalls* (July 2008); House Committee on Oversight and Government Reform, *Medicare Part D: High Expenses and Low Rebates Increase the Costs of Medicare Drug Coverage* (July 2008)

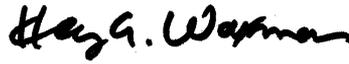
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This information should be provided to the Committee by October 31, 2008.

The Committee on Oversight and Government Reform is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X.

If you have any questions, please contact Brian Cohen of the Committee staff at (202) 225-5420.

Sincerely,



Henry A. Waxman  
Chairman

cc: Tom Davis  
Ranking Member