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## Citing Higher Costs, U.S. Plans Record Rise in Medicare Premium

By GARDINER HARRIS

**W**ASHINGTON, Sept. 3 - A day after [President Bush](#) heralded his efforts to help the elderly cope with increased medical expenses, federal officials announced the largest premium increase in dollars in the Medicare program's history, raising the monthly expense by \$11.60 to \$78.20.

The increase, which amounts to 17 percent, results largely from increased payments to doctors and reflects rising medical expenses generally, officials said. The rise has nothing to do with a program that will start in 2006 to offer prescription drugs, for which beneficiaries must pay a separate premium.

The increase immediately became grist for an increasingly contentious presidential campaign. Phil Singer, a spokesman for the Kerry campaign, released a statement saying, "After doing nothing about the record increases in the cost of health care over the last four years, George Bush is presiding over a Medicare system that is socking seniors with the largest premium hike in the program's 40-year history."

Scott Stanzel, a spokesman for the Bush campaign, said that "President Bush has worked to increase health care access and affordability, including guaranteeing Medicare recipients prescription drugs."

Dr. Mark McClellan, administrator of the Medicare program, said in an interview that the elderly were receiving improved benefits now and would have lower out-of-pocket expenses when the new drug benefit began in 2006. Dr. McClellan pointed out that Medicare recently instituted a "Welcome to Medicare" physical and screening program, giving the elderly more for their money.

When Dr. McClellan's predecessor, Thomas A. Scully, announced last year's 14-percent premium increase, he said the increase demonstrated that Congress should give private health plans a larger role in Medicare. Through such private plans, Mr. Scully said, beneficiaries "would have access to lower premiums and lower costs."

Dr. McClellan acknowledged that about \$1.75 of this year's \$11.60 premium increase results from the billions of dollars Medicare is paying insurers to encourage them to offer private plans. Many in Congress refused last year to support the new Medicare drug benefit legislation unless the program did more to lure patients into such private plans.

As Medicare cut costs in recent years, many private health insurers bowed out of the program, leading the number of beneficiaries in private plans to drop to 4.6 million last year, or 11 percent of the beneficiaries, from 6.3 million, or 16 percent of beneficiaries, in 1999. With higher administrative costs, private plans are generally more costly than regular Medicare and thus need subsidies to provide services.

Dr. McClellan pointed out that private plans often offer additional benefits, including prescription drugs, more preventive care and even dental and vision care. Copayments in the private plans are often lower, he said.

By law, the federal Medicare program picks up the cost of about 75 percent of the Part B Medicare program, which pays for physician services, hospital outpatient care and medical equipment. Premiums pay for the remaining 25 percent. A significant part of the increased premium announced on Friday will also go to bolster the Medicare trust fund, a short-term reserve used to pay benefits, Dr. McClellan said.

Most beneficiaries pay their Medicare premiums through deductions from their Social Security checks. In years past, the premium increases have been announced in October at the same time that cost-of-living increases to Social Security checks are announced. The twin announcements allow the elderly to calculate how much they will be receiving the following year.

Dr. McClellan said politics played no role in the decision to announce the increase late Friday afternoon, just as much of official Washington was heading out for a three-day weekend and the Republican convention and a hurricane moving toward Florida were dominating the news. He said he simply wanted to make the announcement as soon as he had the information.

Representative Pete Stark, Democrat of California, scoffed at Dr. McClellan's explanation for the announcement's timing and said, "This is a cynical attempt to bury bad news by leaking it out when you hope no one is watching."

Robert Hayes, the president of the Medicare Rights Center, an advocacy group, said the premium increase would be a "body blow" to the elderly and resulted from "profligate management of Medicare."

Medical costs have been rising faster than inflation for more than a decade, reflecting innovations and better care for patients. Medicare is not immune to such increases, although program administrators have long tried to slow such increases with measures that often amount to price controls. These controls have so enraged many health care providers that they appeal directly to Congress, where doctor groups and others have sought more money for treatments. Such appeals led Congress last year to roll back expected cuts in many payments to doctors and instead to order that such payments increase 1.5 percent, an important reason for this year's premium increase.

The latest group to make such an appeal is cancer doctors, who say Medicare will soon sharply reduce payments to them under a new system that changes the way Medicare pays for cancer drugs. Some oncologists have threatened to reduce services to patients or

give them older, more toxic therapies unless Congress increases payments to them.

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