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Congress Weighs Big Cuts to Medicaid and Medicare

By [ROBERT PEAR](#)

WASHINGTON, Oct. 29 - Congressional committees have proposed substantial cutbacks in Medicaid and Medicare, the nation's largest health insurance programs, which together cover more than one-fourth of all Americans.

The two houses of Congress are expected to approve the changes in the next two weeks as part of competing bills to slow the growth of federal spending. Negotiators from the two chambers would then try to work out the differences.

The House bill would take all of its savings from Medicaid, the program for low-income people, while leaving Medicare, the program for those 65 and older and the disabled, untouched, as the Bush administration wants. By contrast, the Senate bill would squeeze savings from both programs.

Under the House bill, states would gain sweeping authority to charge premiums, increase co-payments and trim benefits for Medicaid recipients, so benefit packages would look more like the private insurance provided by employers.

The Congressional Budget Office estimated that these changes would save the federal government more than \$4 billion in the next five years, with savings of more than \$3 billion for the states.

Governors of both parties, troubled by the soaring cost of Medicaid, have been pleading with Congress to let them make such changes. They said their record on welfare showed they could be trusted with the new authority.

Under the current Medicaid law and rules, co-payments for most adults cannot exceed \$3 for goods and services like prescription drugs and visits to doctors.

The House bill, drafted by Representative Joe L. Barton, Republican of [Texas](#), would gradually increase the maximum co-payment, to \$5 in 2008. In later years, the ceiling would rise automatically, to match increases in the consumer price index for medical care.

States could end coverage for Medicaid recipients who refused to pay premiums, and health care providers could deny services to those who failed to pay the new charges. Poor children under 18 years old would be exempt from cost-sharing requirements.

"I trust the states," said Mr. Barton, the chairman of the Committee on Energy and Commerce.

Representative Nathan Deal, Republican of [Georgia](#), said, "If people have a personal stake in the cost of their health care, they will use it more responsibly."

But Representative Tammy Baldwin, Democrat of [Wisconsin](#), said, "Higher co-payments will lead people to forgo needed medical care."

"To listen to some of the personal responsibility arguments," Ms. Baldwin said, "one might think that people line up to see their doctors the way they line up to see a rock concert or sporting event, and the only way to control this irrational hunger or thirst for medical care is to make it more expensive. I just don't buy that."

Federal auditors and investigators have repeatedly found that Medicaid overpays pharmacies. The Senate and House bills would reduce those payments. The Senate bill would also require drug manufacturers to give larger discounts to Medicaid, a provision not included in the House bill.

Craig L. Fuller, president of the National Association of Chain Drug Stores, a trade group, said he did not understand how House Republicans could cut payments to pharmacies and increase co-payments for poor people without requiring drug manufacturers to make any contribution to the savings.

But Billy Tauzin, president of the Pharmaceutical Research and Manufacturers of America, a lobbying organization for brand-name drug companies, said the price concessions required by the Senate bill could hurt Medicaid recipients and other patients by forcing drug makers to "reduce research and development of life-saving medicines."

The White House has told lawmakers that they should not tamper with Medicare. President Bush does not want Congress to alter the prescription drug benefit, scheduled to take effect Jan. 1, or other provisions of the 2003 Medicare law.

House Republican leaders followed that advice, but the Senate did not. The Senate Finance Committee voted to eliminate a \$10 billion fund that can be used to increase payments to private insurers, as an incentive for them to enter and stay in the Medicare program.

The committee chairman, Senator [Charles E. Grassley](#), Republican of [Iowa](#), said the money was not immediately needed because private plans were rushing into Medicare.

The Medicare Payment Advisory Commission, an independent federal panel, has urged Congress to eliminate the \$10 billion fund, saying it gives an unfair advantage to plans known as regional preferred provider organizations, or P.P.O.'s.

Karen M. Ignagni, president of America's Health Insurance Plans, an industry trade group, said, "This fund has been described as a slush fund by critics, but the reality is that beneficiaries, not health plans, will be helped by this funding."

With the extra payments, Ms. Ignagni said, more insurers would offer low-cost, high-quality benefits to people in rural areas and other markets where such options were unavailable.

The Blue Cross and Blue Shield Association warned Congress that if it eliminated the \$10 billion fund, it would show that "the government is an unreliable business partner." Blue Cross lobbyists said this would cause some insurers to reconsider their participation in Medicare.