

# Medicare Premiums To Rise By 17.5%

Percentage Increase Biggest in 15 Years

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Health insurance premiums for senior citizens enrolled in Medicare will rise 17.5 percent in 2005, bringing the total monthly payment to \$78.20, Bush administration officials said yesterday.

As most Americans began the Labor Day holiday weekend, federal health officials held a late-afternoon briefing to announce that the 42 million disabled and elderly Medicare beneficiaries will be hit with the largest premium increase in 15 years.

Nationwide, health care costs have been on a steady rise for several years, but the Medicare increase exceeds recent premium hikes for private health insurance. Mark B. McClellan, administrator of the Centers for Medicaid and Medicare Services, blamed the sharp jump on overall rising medical costs, the need to build up reserves in the Medicare Trust Fund, and expanded benefits such as physicals and diabetes screening.

"The big component is Medicare is increasing payments for physicians, rather than reducing them," he said, noting that Congress last year canceled a 4.5 percent cut in physician rates and replaced it with a 1.5 percent raise.

Retirees who choose a managed-care plan, dubbed "Medicare Advantage," should see lower co-payments and more preventive services such as dental and vision care, McClellan said. Some of those plans also provide limited prescription drug benefits.

In dollars, the premium increase, up from \$66 this year, is the largest ever. In 1989, premiums climbed 28 percent, according to the CMS.

Robert M. Hayes, president of the Medicare Rights Center, said the increase will be especially painful because Social Security payments are expected to rise less than 3 percent. "Older Americans already are staggering under the relentless increases in the cost of prescription drugs," he said. "More older Americans will face harsh choices in meeting basic human needs -- health, food and housing."

Phil Singer, a spokesman for the Kerry-Edwards campaign, said: "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."

Last year, President Bush signed legislation that will offer drug coverage to all senior citizens. When it is implemented in 2006, Medicare recipients will have the option of paying about \$35 a month extra for prescription drug coverage.

The typical retiree who purchases traditional Medicare coverage and the drug benefit will pay more than \$115 in monthly premiums, a \$110 annual deductible for outpatient care, and co-payments for physician visits and medications.

"While Medicare patients will receive little or no benefit in return for the increase in premium payments next year, the prescription drug bill provided an immediate and dramatic increase in payments to HMOs -- that just doesn't make sense," said Sen. Jeff Bingaman (D-N.M.). Since it was created in 1965, Medicare has been divided into two parts: a hospital program, called Part A, and outpatient-care coverage, or Part B. The increase announced yesterday pertains to Part B services such as doctor visits, lab work and some medical equipment. There is no premium for hospital care, though patients will have to pay an annual deductible of \$912 next year, up from \$876 this year.

Because the government pays 75 percent of Medicare costs, taxpayers will also pay much more to care for the aging U.S. population. Bush has budgeted \$339 billion for Medicare next year, and the drug package is estimated to cost \$564 billion over 10 years.

McClellan touted several program changes included in the Medicare drug legislation. As people reach age 65 and become eligible for the federal health plan, they will receive a comprehensive, complimentary "welcome to Medicare" physical exam, he noted.

For the first time, however, the law requires wealthier patients to pay more for their health care. The "means test" will result in higher premiums for seniors with income above \$80,000.

By law, McClellan's agency is required to keep adequate reserves in the Medicare account. He attributed about a quarter of the increase to maintaining the trust fund.

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