



Message to the House of Representatives

I am returning herewith without my approval H.R. 6331, the "Medicare Improvements for Patients and Providers Act of 2008." I support the primary objective of this legislation, to forestall reductions in physician payments. Yet taking choices away from seniors to pay physicians is wrong. This bill is objectionable, and I am vetoing it because:

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- It would harm beneficiaries by taking private health plan options away from them; already more than 9.6 million beneficiaries, many of whom are considered lower-income, have chosen to join a Medicare Advantage (MA) plan, and it is estimated that this bill would decrease MA enrollment by about 2.3 million individuals in 2013 relative to the program's current baseline;
- It would undermine the Medicare prescription drug program, which today is effectively providing coverage to 32 million beneficiaries directly through competitive private plans or through Medicare-subsidized retirement plans; and
- It is fiscally irresponsible, and it would imperil the long-term fiscal soundness of Medicare by using short-term budget gimmicks that do not solve the problem; the result would be a steep and unrealistic payment cut for physicians -- roughly 20 percent in 2010 -- likely leading to yet another expensive temporary fix; and the bill would also perpetuate wasteful overpayments to medical equipment suppliers.

In December 2003, when I signed the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) into law, I said that "when seniors have the ability to make choices, health care plans within Medicare will have to compete for their business by offering higher quality service. For the seniors of America, more choices and more control will mean better health care." This is exactly what has happened -- with drug coverage and with Medicare Advantage.

Today, as a result of the changes in the MMA, 32 million seniors and Americans with disabilities have drug coverage through Medicare prescription drug plans or a Medicare-subsidized retirement plan, while some 9.6 million Medicare beneficiaries --more than 20 percent of all beneficiaries -- have chosen to join a private MA plan. To protect the interests of these beneficiaries, I cannot accept the provisions of this legislation that would undermine Medicare Part D, reduce payments for MA plans, and restructure the MA program in a way that would lead to limited beneficiary access, benefits, and choices and lower-than-expected enrollment in Medicare Advantage.

Medicare beneficiaries need and benefit from having more options than just the one-size-fits-all approach of traditional Medicare fee-for-service. Medicare Advantage plan options include health maintenance organizations, preferred provider organizations, and private fee-for-service (PFFS) plans. Medicare Advantage plans are paid according to a formula established by the Congress in 2003 to ensure that seniors in all parts of the country -- including rural areas -- have access to private plan options.

This bill would reduce these options for beneficiaries, particularly those in hard-to-serve rural areas. In particular, H.R. 6331 would make fundamental changes to the MA PFFS program. The Congressional Budget Office has estimated that H.R. 6331 would decrease MA enrollment by about 2.3 million individuals in 2013 relative to its current baseline, with the largest effects resulting from these PFFS restrictions.

While the MMA increased the availability of private plan options across the country, it is important to remember that a significant number of beneficiaries who have chosen these options earn lower incomes. The latest data show that 49 percent of beneficiaries enrolled in MA plans report income of \$20,000 or less. These beneficiaries have made a decision to maximize their Medicare and supplemental benefits through the MA program, in part because of their economic situation. Cuts to MA plan payments required by this legislation would reduce benefits to millions of seniors, including lower-income seniors, who have chosen to join these plans.

The bill would constrain market forces and undermine the success that the Medicare Prescription Drug program has achieved in providing beneficiaries with robust, high-value coverage -- including comprehensive formularies and access to network pharmacies -- at lower-than-expected costs. In particular, the provisions that would enable the expansion of "protected classes" of drugs would effectively end meaningful price negotiations between Medicare prescription drug plans and pharmaceutical manufacturers for drugs in those classes. If, as is likely, implementation of this provision results in an increase in the number of protected drug classes, it will lead to increased beneficiary premiums and copayments, higher drug prices, and lower drug rebates. These new requirements, together with provisions that interfere with the contractual relationships between Part D plans and pharmacies, are expected to increase Medicare spending and have a negative impact on the value and choices that beneficiaries have come to enjoy in the program.

The bill includes budget gimmicks that do not solve the payment problem for physicians, make the problem worse with an abrupt payment cut for physicians of roughly 20 percent in 2010, and add nearly \$20 billion to the Medicare Improvement Fund, which would unnecessarily increase Medicare spending and contribute to the unsustainable growth in Medicare. In addition, H.R. 6331 would delay important reforms like the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies competitive bidding program, under which lower payment rates went into effect on July 1, 2008. This program will produce significant savings for Medicare and beneficiaries by obtaining lower prices through competitive bidding. The legislation would leave the Federal Supplementary Medical Insurance Trust Fund vulnerable to litigation because of the revocation of the awarded contracts. Changing policy in mid-stream is also confusing to beneficiaries who are receiving services from quality suppliers at lower prices. In order to slow the growth in Medicare spending, competition within the program should be expanded, not diminished.

For decades, we promised America's seniors we could do better, and we finally did. We should not turn the clock back to the days when our Medicare system offered outdated and inefficient benefits and imposed needless costs on its beneficiaries.

Because this bill would severely damage the Medicare program by undermining the Medicare Part D program and by reducing access, benefits, and choices for all beneficiaries, particularly the approximately 9.6 million beneficiaries in MA, I must veto this bill.

I urge the Congress to send me a bill that reduces the growth in Medicare spending, increases competition and efficiency, implements principles of value-driven health care, and appropriately offsets increases in physician spending.

GEORGE W. BUSH

THE WHITE HOUSE,

July 15, 2008.