

Santa Clara County
DEMOCRATIC

The Democratic Party: The Party That Created Medicare For America's Seniors

The Bush Administration Deliberately Withheld Real Cost
Of Its Privatized Medicare Prescription Drug Program

"Now we learn the shocking truth: that [the Bush Administration] knew it all along. And even worse, the government's top expert on Medicare costs had been told to keep quiet - or pay the price. There is no place for silencing the truth."

— Democratic Presidential Candidate John Kerry

[Press Release](#) 3/15/04

[Democrats Demand an Honest Vote on Real Costs.](#)

[Republicans Withheld Costs To Betray America's Seniors. Americans deserve better.](#)

In 1965, over 80% of House and Senate Democrats voted to create our nation's Medicare program. Only 50% of Republicans voted to create Medicare; many Republican leaders including Senator Bob Dole voted against creating Medicare.

While the Bush Administration claimed the newly passed Medicare Prescription Drug Program would cost \$395 billion, Boston University's School of Public Health published a report estimating corporate profit from the corporate-written Bush Administration Medicare prescription drug plan at \$139 billion. Bush's Medicare Prescription Drug Program barely passed in the House of Representatives with a 216-215 vote and in the Senate with a 54-44 vote.

Now we find out that while the Bush Administration said the program costs were \$395 billion, the Bush Administration knew the costs were almost \$552 billion—a \$157 billion difference.

A dishonest Bush Administration knew this and deliberately hid the truth of the real costs from Congress and the American people.

Senate and House Democratic leaders including Senate Minority Leader Tom Daschle demanded the program be brought up again for a vote based on the real numbers. Republican leaders refused to reopen the debate much less to call for a second round of votes.

Democratic Presidential Nominee John Kerry says, "Americans deserve better than this."

[[Legislative History: Vote Tallies for Passage of Medicare in 1965](#); "Senate Passes Medicare Bill," [CNN](#) 11.25.03; "Daschle Calls For a Revote on Medicare Drug Bill," [Miami Herald](#), 3/13/04; Press Release: [Kerry on Bush's Growing Credibility Gap on Medicare](#), 3/15/04]

"These [Medicare] reforms are the act of a vibrant and compassionate government."

George W. Bush, [CNN](#), 12/8/03

- ◆ [Republicans Withheld Cost To Betray America's Seniors.](#)
- ◆ [Democrats Demand an Honest Re-Vote on Real Costs.](#)
- ◆ [Democratic Presidential Nominee John Kerry: Choosing Seniors Over Pharmaceutical Profits.](#)

"We will give seniors a real prescription drug benefit on Medicare."

— Democratic Presidential Nominee John Kerry

[ABC News](#), July 8, 2004

[Republicans Withheld Cost To Betray America's Seniors.](#)

[Bush Deliberately Withheld Real Cost Of Medicare Prescription Drug Program.](#) “When Bush signed the bill in December, the drug benefit bore a \$395 billion price tag. In January, the president's budget director, Joshua Bolten, upped the estimate by \$139 billion.” [“Daschle Calls For Revote on Medicare Drug Bill,” [Miami Herald](#), March 13, 2004]

[Administration Negotiator Withheld Crucial Financial Data; Gagged and Threatened to Fire Medicare](#)

[Actuary.](#) White House head negotiator “Thomas A. Scully, then administrator of the HHS agency that oversees Medicare, repeatedly told [Medicare actuary Richard S. Foster] last spring and summer that Foster would be fired if he complied with requests from Republican and Democratic lawmakers to provide cost estimates of aspects of the prescription drug legislation. [“Conflict of Interest of Former Medicare Chief Scully,” [Public Citizen](#), 1/14/04; “Official Says He Was Told To Withhold Medicare Data,” [Washington Post](#), March 13, 2004]

[Mystery Fax Unveils Bush's Secret \\$551 Billion Price Tag for His Medicare Prescription Drug](#)

[Program.](#) “Late one Friday afternoon in January, after the House of Representatives had adjourned for the week, Cybele Bjorklund, a House Democratic health policy aide, heard the buzz of the fax machine at her desk. Coming over the transom, with no hint of the sender, was a document she had been seeking for months: an estimate by Medicare's chief actuary showing the cost of prescription drug benefits for the elderly. Dated June 11, 2003, the document put the cost at \$551.5 billion over 10 years. It appeared to confirm what Ms. Bjorklund and her bosses on the House Ways and Means Committee had long suspected: the actuary, Richard S. Foster, had concluded the legislation would be far more expensive than Congress's \$400 billion estimate — and had kept quiet while lawmakers voted on the bill and President Bush signed it into law.” [“Official Says He Was Told To Withhold Medicare Data,” [Washington Post](#), March 13, 2004]

“Foster, who was deputy chief actuary for the Social Security Administration for 13 years before becoming the chief Medicare actuary in 1995, said his office has a tradition of providing technical assistance to Congress ‘on an independent, nonpartisan basis.’” [Official Says He Was Told To Withhold Medicare Data,” [Washington Post](#), March 13, 2004]

“Ten days after successfully negotiating [Bush's Prescription Drug Program], White House lobbyist Tom Scully announced he would be joining two of the pharmaceutical firms affected by the bill.” [“Conflict of Interest of Former Medicare Chief Scully,” [Public Citizen](#), 1/14/04; “Medicare Drug Prescription for Seniors Remains Unfilled,” [Arizona Republic](#), 12/1/03]

[Pharmaceutical Profits Estimated At \\$139 Billion With OLD Price Tag Of \\$395 Billion. Profits Not Yet Known With REAL Price Tag Of \\$551.5 Billion.](#)

“The pharmaceutical industry will reap a whopping \$139 billion under the Medicare prescription drug legislation in Congress, according to a new report. The [Health Reform Program at Boston University's School of Public Health](#) finds the Medicare bill, now in a U.S. House and Senate conference committee, does not contain mechanisms to control prices and does not allow Medicare to negotiate prices for prescription medication.” [See [Health Reform Program at Boston University's School of Public Health](#), 10/31/03]

The report, [61 Percent of Medicare's New Prescription Drug Subsidy Is Windfall Profit to Drug Makers](#), says, “Given the remarkably low real cost of producing the added volumes of pills that Medicare patients need, the lack of price controls in the Medicare bill will give enormous windfall profits to prescription drug makers.” [See “New Medicare Rx Benefit Means Big Profits for Drug Makers,” [Health Reform Program](#), Boston University's School of Public Health, 10/31/03]

[Bush Administration Refused To Allow Bush's Chief Health-Policy Adviser To Testify If He Suppressed Or Forwarded Higher Figures He Obtained In Early June 2003.](#)

In testimony . . . before the Ways and Means Committee, Foster said that Badger, Scully and other members of the Bush administration received his June estimate that the program might cost \$511 billion. But Foster said he didn't know whether those estimates were shared with higher-ups in the White House - perhaps even with Bush, who lobbied hard for the bill. ["White House Won't Let Adviser Testify on Medicare Drug Costs," [San Jose Mercury News/Knight Ridder](#), 3/31/04]

Several Ways and Means Committee members wanted to know whether Badger suppressed or passed on to senior Bush administration officials figures he obtained in early June indicating that the drug benefit might cost more than \$500 billion in its first 10 years. When lawmakers narrowly passed the measure in November, many relied on a \$395 billion Congressional Budget Office estimate. ["White House Won't Let Adviser Testify on Medicare Drug Costs," [San Jose Mercury News/Knight Ridder](#), 3/31/04]

Citing executive privilege, the White House refused to allow President Bush's chief health-policy adviser, Douglas Badger, to testify Thursday before the House Ways and Means Committee about early administration estimates that the new Medicare prescription-drug benefit would be far more costly than many lawmakers believed when they voted for it. ["White House Won't Let Adviser Testify on Medicare Drug Costs" [San Jose Mercury News/Knight Ridder](#), 3/31/04]

[Office of Solicitor General Confirms Bush Appointee Threatened Employee to Keep Costs Secret.](#)

"The former Medicare chief pressured an agency official to keep secret his high cost estimates for prescription drug coverage for the elderly but did not break the law, government investigators said." [emphasis added]

"The report said Scully, then head of the Centers for Medicare and Medicaid Services, failed to meet congressional requests for information and threatened his top actuary, Richard Foster, if he did not withhold the estimate."

"Unfortunately, the chances of the public ever learning the whole story are dim . . . 'The need for a full congressional investigation is clearer than ever,' Rep. John Dingell, a Michigan Democrat, said in a statement." ["Report Confirms U.S. Medicare Cost Estimates Kept Secret," [Reuters](#), July 6, 2004]

I believe the American people deserve real answers on why this Administration is keeping public officials quiet and keeping facts from the American people. We deserve better than this."

— Democratic Presidential Nominee John Kerry
[Press Release](#), 3/15/04

Democrats Demand an Honest Re-Vote on Real Costs.

Democrats Demand Honest Re-vote: Republicans Refuse. House and Senate leaders . . . called for investigations into the alleged muzzling. Senate Minority Leader Tom Daschle, D-SD, said the allegations justified reopening the vote. Sen. Edward Kennedy, D-Mass., wrote President Bush demanding to know what cost estimates he used in pushing the new drug benefit. ["Medicare Analyst Confirms He Was Ordered to Withhold Unfavorable Cost Estimate," [The Seattle Times Company/Knight Ridder and Newsday](#), 3/13/04]

Republicans Join Democrats in Criticizing White House

"A Republican who helped forge the law, Senate Finance Committee Chairman Charles E. Grassley (Iowa), joined in the criticism. He said, 'Government analysts with relevant information should never be muzzled.'" ["Official Says He Was Told To Withhold Medicare Data," [Washington Post](#), 3/13/04]

Republicans Refuse An Honest Vote on Medicare. "'At this point, we don't see a need for the revote,' said Nick Smith, a spokesman for Senate Majority Leader Bill Frist, R-Tenn. 'We had our vote.'" ["Medicare Analyst Confirms He Was Ordered to Withhold Unfavorable Cost Estimate," [The Seattle Times Company/Knight Ridder and Newsday](#), 3/13/04]

"White House Counsel Alberto R. Gonzales, in a letter to committee Chairman Bill Thomas (R-Bakersfield), cited 'long-standing White House policy' against having White House staff members testify before Congress as the reason [White House Aid Doug] Badger would not appear . . . Committee Democrats rejected both explanations. In the case of Badger, they said at least 45 high-ranking Clinton administration officials had testified before Congress; in the case of [White House lobbyist] Scully, they offered to let him appear at a later time. But Republicans quashed the Democrats' attempts to subpoena the men." ["Medicare Secrecy Inquiry Is Silenced," [Los Angeles Times](#), 4/2/04]

Democratic Presidential Nominee John Kerry: Choosing Seniors Over Pharmaceutical Profits.

John Kerry: Honoring Our Commitment to America's Seniors

John Kerry will fight to allow Medicare to negotiate better prescription prices for seniors and will fight to pass re-importation so seniors can get safe, affordable prescriptions. Kerry will strengthen drug coverage for those who have it – not make it worse. He will also make sure seniors can choose their doctors and aren't forced to join an HMO.

1. **RE-IMPORTING PRESCRIPTION DRUGS.** A recent study found that prescription drug prices in Canada were 33% to 80% cheaper than in the United States. The pharmaceutical industry charges Americans the highest prices for prescription drugs in the world, while reaping record-breaking profits. George W. Bush is looking out for the profits of the prescription drug industry, not America's seniors.

John Kerry will:

- Allow Re-importation to Give Americans Access to Cheaper Drugs: Drug re-importation refers to importing prescription drugs originally manufactured in the U.S. and exported for sale in another country. Most often, Americans re-import drugs by filling their prescriptions in Canadian or Mexican pharmacies, either in person, or mail-order, or Internet pharmacies. John Kerry will allow individuals, pharmacists, wholesalers and distributors to re-import FDA-approved prescription drugs from other countries at lower prices.
- Call on Bush Administration to Help States Start Re-importation: Despite the obstacles the Bush Administration is raising, several state Governors are working to make re-importation available. For instance, it is estimated Illinois would save about \$91 million through re-importation. John Kerry calls on President Bush to immediately approve state pilot programs to help individuals and states re-import prescription drugs. Kerry also says President Bush also direct his FDA Commissioner to provide guidance to states to help assure they set up a safe system – including a state-sanctioned website, phone numbers, and helping define necessary safety precautions.
[John Kerry for President Website, [Kerry's Plan to Lower Prescription Drug Prices for Seniors](#)]

2. **NO 'SPECIAL INTEREST' PROVISIONS: MEDICARE CAN NEGOTIATE AFFORDABLE PRESCRIPTION PRICES.** Seniors often pay higher drug prices because they lack leverage to negotiate. President Bush's Medicare program expressly prohibits the government from negotiating for lower drug prices on behalf of Medicare beneficiaries. Why? This is a special interest provision to increase pharmaceutical industry profits. As President, John Kerry will ensure our government can negotiate lower prescription drug prices for America's seniors.

John Kerry will:

- Change the Law so Medicare Can Negotiate Better Prices. John Kerry believes seniors should not pay highest prices just so pharmaceutical companies can have higher profits. Kerry will change Medicare to assure the Federal government can negotiate better prices for prescription drugs.
- Direct HHS Secretary to Assure Medicare Gets Discounts in Every Part of the Country. Medicaid gets a "set discount" of about 20% and the Veterans Administration negotiates discounts of about 40% discounts on prescription drugs. As President, Kerry will direct his Secretary of Health and Human Services to make sure all U.S. seniors get at least the 20% discount and Medicare pays the same for prescriptions as the private sector in any region of the country. [John Kerry for President Website: [Kerry's Plan to Lower Prescription Drug Prices for Seniors](#)]

3. [HELP STATES NEGOTIATE DISCOUNTS ON PRESCRIPTION DRUGS.](#) Americans without drug coverage pay at least 50% more for the same medication as their insured neighbors because they do not have bulk purchasing. Some states have tried to extend the same discount Medicaid gets for its beneficiaries to other populations. However, the Bush Administration has joined the pharmaceutical industry to fight these efforts. As President, John Kerry will help states provide discounts to other populations. Kerry will also give states incentives to implement more efficient contracting to obtain better rates for prescription drugs. [John Kerry for President Website, [Kerry's Plan to Lower Prescription Drug Prices for Seniors](#)]

4. [DISCLOSE EXCESSIVE PROFITS OF PHARMACY "MIDDLEMEN."](#) Pharmacy benefit managers (PBMs) process hundreds of millions of pharmaceutical claims per year and manage drug benefits for more than 200 million Americans. In addition to the discounts they get from bulk buying, drug manufacturers typically pay PBMs billions in extra fees. For example, drug companies pay extra to make sure their drug gets on formularies; for financial rebates, and even more money for assembling data to help drug companies exploit consumers. While these PBM's receive huge profits, they don't forward these profits to make drug costs cheaper. John Kerry's plan will require PBMs who do business with the Federal government to clearly show profits they receive from the pharmaceutical industry. [John Kerry for President Website: [Kerry's Plan to Lower Prescription Drug Prices for Seniors](#)]

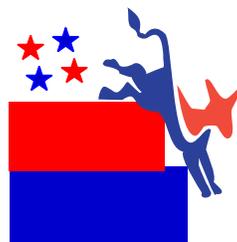
“We will give seniors a real prescription drug benefit on Medicare.”

— Democratic Candidate John Kerry

[Associated Press](#), July 4, 2004

The Democratic Party:

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