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New Deal Aims To Close Medicare Coverage Gap

Agreement Part Of Health Care Reform Legislation

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WASHINGTON -- President Barack Obama announced a new deal aimed at closing the gap in prescription drug coverage for senior citizens.

The agreement will be part of health care reform legislation now in the works in Congress.

Pharmaceutical companies have pledged to spend billions of dollars to provide discounts to seniors when their Medicare benefits run out.

Under the agreement, prescription drug costs would be cut in half for about 26 million seniors who fall into the so-called Medicare doughnut hole.

"It's a reform that will make prescription drugs more affordable for millions of seniors ... and restore a measure of fairness to Medicare Part D," Obama said.

The way it works now when a senior's prescription drug costs exceed \$2,700 in a given year, Medicare stops paying.

Once costs top \$6,100, coverage kicks back in. This donut hole or gap in coverage has prompted some seniors to cut back or stop taking medications altogether because they can't afford to pay for them.

In a deal worked out with the Senate Finance Committee, the pharmaceutical industry will spend \$80 billion over the next 10 years to partially close the gap.

Senior rights advocates praised the move.

"This is an early win for reform. It's a major step forward. It is a signal process is working and will work," said Barry Rand, with AARP.

"It signifies pretty much nothing," said Michael Cannon, with the Cato Institute.

Critics said what's missing are the details of the deal.

"The pharmaceutical industry isn't going to give out those discounts just for free. They're expecting to get more customers. They're expecting to make more money off this deal not less money," said Cannon.

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The White House said specifics of the agreement are still being negotiated.

If this passes Congress the benefits would apply to brand name drugs and not to generics.

This would be part of health care reform legislation, so assuming that reform bill becomes law it would probably take effect in July of next year.

Five House and Senate committees are now working on pieces of the health care reform legislation. The cost of reform could top \$1 trillion.

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