

MEMORANDUM

TO: Interested Parties
FROM: Senator Tom Harkin (D-IA)
RE: **Analysis of the House Majority's Plan to Eliminate Medicare/Reopen the "Donut Hole"**
DATE: April 18, 2011

On Friday, April 15th, the U.S. House of Representatives passed a budget for the upcoming year on a party line vote. The plan sharply reduces the federal government's investments in education and infrastructure – investments that are necessary to ensure our country remains competitive in the global economy and generates jobs in both the short and long term. While it makes huge reductions in spending, that is largely offset by completely extending the Bush 2001 tax breaks which were targeted towards the very wealthy.

The budget also breaks our promises to senior citizens by eliminating Medicare and increasing the cost of prescription drugs. If enacted, the budget will immediately increase the cost of health care for Iowa's seniors. The measure now comes to the U.S. Senate for consideration.

If Congressman Ryan's budget plan were enacted into law, it would immediately hurt senior citizens currently enrolled in Medicare in Iowa and around the country. There is no question that the time has come for tough budget decisions, but the smart way to bring down the deficit is for Congress to pursue a balanced approach of major spending cuts and necessary revenue increases, while continuing to support Medicare.

My full statement on the House budget proposal can be found [here](#).

Analysis released today shows that the budget proposal will have a detrimental impact on Medicare in Iowa. Below are some specific impacts Iowa seniors will face if the House budget is enacted.

Increases Health Care Spending by 2022:

Total cost per Senior under the House budget:	\$20,500
Total cost per Senior under Medicare:	\$14,750

Makes Seniors Pay Double Out of Pocket by 2022:

Senior Share under the House budget:	\$12,500
Senior Share under Medicare:	\$6,150

Seniors' Share of Their Health Care Cost by 2030:

Under the House Budget:	68%
Under Medicare:	25%

[Source: non-partisan Congressional budget office.]

Reopens the "Donut Hole" in Medicare:

The House budget plan would repeal parts of the federal health care law, including measures to close the "donut hole." The health reform law fixed a deficiency in the Medicare prescription drug program by addressing the gap in Medicare Part D coverage that had forced beneficiaries to pay 100 percent of their drug costs after they exceeded an initial coverage limit and until they qualified for catastrophic coverage. That gap in coverage—which totaled \$3,610 in 2010—has existed since the drug benefit's creation in 2006.

Under the Patient Protection and Affordable Care Act, signed by President Obama in March 2010, seniors who get stuck in the "donut hole" will now see the costs of their brand name drugs discounted by 50 percent, phasing out the "donut hole" completely over the next ten years.

Impact on Iowa:

- An estimated **49,554** Iowa Seniors will be impacted by the “donut hole” in 2012.
- Additional cost Iowa seniors currently in “donut hole” will pay for Prescription Drugs under the House plan in 2012: **\$28 million.**
- Additional Cost Iowa seniors currently in the “donut hole” will pay for prescription drugs under the House plan through 2020: **\$554 million.**

[Source: Analysis from Senate Democrats.]

Rather than a pessimistic budget, which says America can't afford to maintain and rebuild the middle class, I believe we need a budget that creates a better future – one that creates jobs, keeps our promises to seniors, educates our children, and reduces the deficit with smart spending cuts and by asking millionaires and billionaires to pay their fair share.