COVERAGE OF PRESCRIBED DRUGS UNDER PART B OF MEDICARE

It is generally conceded that the major gap in medicare coverage is the failure to provide protection against the heavy costs of drugs outside of those prescribed in a hospital or extended care facility.

Older Americans spend more than $600 million a year at the retail level for prescriptions. More than 3 million people age 65 or over have annual drug costs of $100 or more, and 600,000 of these persons have drug expenses exceeding $250 a year. Obviously, these are citizens who need help, who should be helped, and who will be helped substantially by the committee's amendment.

The committee amendment represents a sensible and economical approach to meeting a serious defect in medicare. Obviously, it would have been far too costly to provide protection against all drug costs and pay for them at the usual retail prices. The amendment provides a reasonable allowance toward the cost of necessary drugs requiring prescription. The payment under the plan will come closest to paying the full cost of the prescription when the doctor prescribes on a generic basis instead of by brand name. The doctor, however, is free to prescribe by brand name, but the allowance to his patient is based upon the price of the generic version of the drug—not the brand name.

The amount involved is estimated at 50 cents a month for each aged person to be matched by 50 cents a month from the Government, or a total of $1 a month, to provide these drugs for the elderly.

One of the modern wonder drugs is Tetracycline. It is sold in some instances by that name. However, if one were to buy it from the Lederle Co., the drug is called Achromycin.

The Government, through the Defense Supply Agency, buys Tetracycline for approximately 1.5 cents to 2 cents a capsule. If one buys the same drug by brand name, the current cost is 30 cents a capsule. It used to be 50 cents a capsule.

The Government will pay under a schedule of allowances what it would cost to buy this drug under the generic name Tetracycline. We will not pay for the cost involved in simply placing a fancy brand name on the drug and charging 10, 20, or 50 times what the drug would sell for under its generic name.

The drugs for which coverage will be provided under the program would be

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determined by a high-level formulary committee consisting of the Surgeon General, the Commissioner of the Food and Drug Administration, and the Director of the National Institutes of Health. These men would be aided by an advisory group representing the major groups concerned with pharmacy.

The benefit would be added to part B of medicare effective July 1, 1968, and possibly earlier if the part B premium is recalculated prior to that date. The monthly cost is estimated at 50 cents to the beneficiary and 50 cents to the Government.

OTHER AMENDMENTS

The committee, in a related action, also approved amendments to the Internal Revenue Code which prevent the reimposition of limits on the deductible medical expenses of persons 65 and over. Right now, older persons can figure their deductible medical expenses without bothering with the 3-percent limit on general medical expenses or the 1-percent limit on expenses for medicine and drugs. One provision of the Medicare Act reimposed these limits beginning in 1967. That is, beginning in 1967, older taxpayers would only be allowed to deduct that portion of their nonreimbursed medical expenses which exceeded 3 percent of adjusted gross income and, in computing medical expenses for the purposes of the deduction, they would be required to disregard that portion of expenses for medicines and drugs which did not exceed 1 percent of adjusted gross income. In view of the fact that not all medical expenses will be covered by medicare, it is important to preserve existing income tax provisions regarding the medical expense deduction of older persons. The committee amendment would retain present law.

Mr. President, I have seen several newspaper editorials which criticize the committee because it placed about 23 amendments on the bill. About 18 of those amendments are approved by the Treasury Department. The Department says that these amendments should be agreed to, that they are appropriate and proper modifications of our tax law.

This is one amendment not approved by the Treasury Department purely because of the revenue involved.

When the committee voted on this amendment, not a single committee member wanted to vote to deny these aged people the right to deduct all of their medical expenses.

Furthermore, even though the Treasury Department is not willing to approve the amendment, I do not think any Senator would like to deny the aged people the right to deduct all of the heavy expense of drugs in the event of a costly illness.

Mr. LAUSCHE. What does the present law provide with reference to the deductibility of expenses for doctors and medical services?

Mr. LONG of Louisiana. A person under the age of 65 is presently permitted to deduct medical expenses to the extent that they exceed 3 percent of his income.

There is a further limitation which provides that such a person is allowed to