



THE ERISA INDUSTRY COMMITTEE  
*Representing the Employee Benefits Interests of America's Largest Employers*  
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## MEDICARE REFORM PRINCIPLES

Medicare has been the primary health delivery system for retirees and disabled participants since 1965. While it was designed in a manner consistent with employer health programs at that time, it is now obsolete. Medicare requires significant changes to encourage patients to become informed and seek quality care, to reimburse providers in a manner that encourages them to provide quality, efficient care, to fund the program at a level consistent with current and expected costs, and to be consistent with voluntary employer health programs.

*The ERISA Industry Committee (ERIC) is a non-profit association committed to the advancement of employee health care coverage, retirement, and compensation plans of America's largest employers. ERIC represents exclusively the employee benefits interests of major employers all of which provide comprehensive retirement, health care coverage, compensation and other economic security benefits directly to some 25 million active and retired workers and their families. The association has a strong interest in proposals affecting its members' ability to deliver those benefits, their cost and their effectiveness, as well as the role of those benefits in the American economy.*

ERIC members believe the following principles are essential to the modernization of Medicare as soon as possible. While comprehensive reform of Medicare is essential, ERIC also supports an immediate introduction of a prescription drug program under the principles indicated below, incorporated in a more comprehensive reform of the Medicare system. We believe that Medicare modernization should provide for the following:

1. Reaffirm that Medicare is the primary source of health care coverage for seniors and others eligible under current law, and that other programs will be considered secondary.
2. Strengthen Medicare by reinforcing its direction to move from merely a medical payment system to a benefit design and program that assures a focus on the delivery of evidence-based quality care. Medicare modernization should include disease management, wellness, and medical management initiatives.
3. Include information and tools so Medicare beneficiaries can make sound, value-based choices of hospitals, physicians, and procedures.
4. Secure adequate, responsible and timely payments to health care plans, physicians, hospitals and other providers to ensure that Medicare participants have access to an array of high quality providers with minimal changes in such access.
5. Introduce competitive market and value-based purchasing principles, including private purchasing practices, into Medicare to increase program quality while managing costs.

6. Collaborate with employers to identify and implement innovative health care management designed to improve quality of care while reducing costs.
7. Create innovative pilot programs that reward health care providers based on the quality and efficiency of the care, including prescribing practices, they provide.
8. Develop responsible financing mechanisms that will ensure the viability of the program for current and future generations of beneficiaries. Such funding may include broad-based funding from general revenues and participant cost-sharing, but should avoid additional payroll taxes.
9. Give Medicare beneficiaries access to an array of privately managed choices with economic and other incentives, as well as information, to use high-quality, cost-effective (efficient, evidence-based), affordable care and prescription drugs, while guarding against excessive and inappropriate care.
10. Provide beneficiaries with an affordable prescription drug program covering all Medicare participants (not merely low-income or some other segment, and not elective) with a comprehensive (rather than only catastrophic) coverage for prescription medicines.
11. Enhance the financial feasibility of employers to voluntarily provide a prescription drug benefit to their retirees and other Medicare eligible recipients. Do so without reducing the Medicare prescription drug benefit for persons receiving employer-provided supplemental benefits, or requiring employers to maintain current levels of coverage after the new primary Medicare benefit is created.
12. Assure that employers providing drug coverage have the choice of (1) designing benefits to “wrap around” Medicare without penalty or (2) maintaining private coverage and receiving (through a direct payment from the Federal Government) the same amount per beneficiary that Medicare would pay for the new benefit.