Don’t assume for a second that Republican control of the House, Senate, and White House ensures passage of the Bush Medicare drug benefit, or any other benefit for that matter, in 2003. Although Republican leaders on Capitol Hill gave President Bush’s hazy, early March drug proposal polite applause, you didn’t need special, Pentagon-issue night-vision goggles to read between the lines of their press releases and comments to the press. It was quite clear that the President faces as much trouble from the Republicans as he does from the Democrats.

In fact, confusion is likely to reign in Congress, for a couple of important reasons. First, the Bush proposal is skeletal. In this period of rapidly rising federal deficits, the President proposed a considerably larger prescription drug benefit ($400 billion over 10 years) than he had suggested the year before, and he provided very few details on how he planned to spend that king’s fortune. Essentially, he placed most of his chips on two things: a drug card and pharmacy benefit managers (PBMs). Given those underpinnings, the Bush plan could be shaky, or maybe not; it all depends on forthcoming developments.

Here is an outline of the Bush proposal. Medicare recipients who choose to stay in basic Medicare would get a prescription drug card and full coverage after payment of a very high deductible, which the President has not yet established. He expects Congress to do that. Low-income recipients with basic Medicare coverage would get a subsidy for drug expenditures.

The President did not disguise the fact that he was making this drug benefit unappetizing as a way of steering most Medicare recipients into a health maintenance organization/preferred provider organization (HMO/PPO), which would be offered as the “Enhanced Medicare” option, or a stripped-down HMO in the “Medicare Advantage” option. Both of these choices, depending on patients’ private health plans, would offer more generous drug coverage in addition to access to discount cards. However, recipients in the “Enhanced” plan would be responsible for higher co-pays and higher deductibles as the price for getting coverage in the better drug plan.

Let’s start with the most obvious problem. Federal courts, as recently as January 2003, ruled that Medicare drug cards are illegal. Even if Medicare alters its drug card so that it eventually passes muster with the federal courts, members of Congress, especially Representative Henry Waxman (D-CA), have published studies showing that savings from drug cards are illusionary. President Bush says that the cards would save Medicare recipients 10% to 25% on their drug purchases. That remains to be seen.

Trying to herd most Medicare recipients into PBMs as a way of cutting Medicare costs in general, and thus being able to support a richer drug benefit, makes good sense. Certainly, there is evidence that PBMs do save employers money, according to a recent study by the General Accounting Office. The GAO evaluated the Federal Employees Health Benefit Plan, which is PBM-based. But let’s be honest: a faint whiff of skullduggery has been emanating from PBMs because of the rebates they have received from drug manufacturers jockeying to have their drugs favored by PBMs.

Two questions need to be answered. First, do those rebates help or hurt formularies? Second, do PBMs take those rebates and run, or do they return them, for the most part, to plan members in the form of lower drug prices? These questions will be asked on Capitol Hill, and they will have to be answered by the industry in such a way that both Democrats and Republicans will be reassured.

Even if drug cards and PBMs eventually do pass political muster on Capitol Hill, the President will still have other problems because of the way in which he has structured his plan. Prominent Republicans such as Senator Chuck Grassley (R-IA), chairman of the Senate Finance Committee, complained that “the way I see it... seniors who want to stay in traditional Medicare... (should get) a prescription drug plan that’s just as good as those who choose a new option.”