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January 16, 2004

The Honorable Tommy Thompson
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Thompson:

As you know, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (P.L. 108-173) includes new subsidies to employer and union sponsored plans to encourage those plans to retain and enhance coverage they currently offer their retirees.

Recently, some have asserted that employers are entitled to the subsidy regardless of how much cost-sharing they require their retirees to pick up. This assertion is not supported by the legislative language in the statute or congressional intent. Indeed, Title I, Section 1860D-22, clearly states that only those plans that are at least actuarially equivalent to the standard Medicare benefit are entitled to the new subsidy. The law also permits the Secretary to audit the adequacy of the prescription drug coverage offered by employer plans. Therefore, an employer who chooses to reduce prescription drug coverage below Medicare's standard benefit would not qualify for the new subsidy.

I look forward to working with you on implementing this landmark legislation, which will allow seniors who have coverage to keep it and provides new coverage for those who lack it.

Best regards,



Bill Thomas
Chairman