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Op-Ed Columnist

## The Deadly Doughnut

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Registration for Medicare's new prescription drug benefit starts next week. Soon millions of Americans will learn that doughnuts are bad for your health. And if we're lucky, Americans will also learn a bigger lesson: politicians who don't believe in a positive role for government shouldn't be allowed to design new government programs.

Before we turn to the larger issue, let's look at how the Medicare drug benefit will work over the course of next year.

At first, the benefit will look like a normal insurance plan, with a deductible and co-payments.

But if your cumulative drug expenses reach \$2,250, a very strange thing will happen: you'll suddenly be on your own. The Medicare benefit won't kick in again unless your costs reach \$5,100. This gap in coverage has come to be known as the "doughnut hole." (Did you think I was talking about Krispy Kremes?)

One way to see the bizarre effect of this hole is to notice that if you are a retiree and spend \$2,000 on drugs next year, Medicare will cover 66 percent of your expenses. But if you spend \$5,000 - which means that you're much more likely to need help paying those expenses - Medicare will cover only 30 percent of your bills.

A study in the July/August issue of Health Affairs points out that this will place many retirees on a financial "roller coaster."

People with high drug costs will have relatively low out-of-pocket expenses for part of the year - say, until next summer. Then, suddenly, they'll enter the doughnut hole, and their personal expenses will soar. And because the same people tend to have high drug costs year after year, the roller-coaster ride will repeat in 2007.

How will people respond when their out-of-pocket costs surge? The Health Affairs article argues, based on experience from H.M.O. plans with caps on drug benefits, that it's likely "some beneficiaries will cut back even essential medications while in the doughnut hole." In other words, this doughnut will make some people sick, and for some people it will be deadly.

The smart thing to do, for those who could afford it, would be to buy supplemental insurance that would cover the doughnut hole. But guess what: the bill that established the drug benefit specifically prohibits you from buying insurance to cover the gap. That's why many retirees who already have prescription drug insurance are being advised not to sign up for the Medicare benefit.

If all of this makes the drug bill sound like a disaster, bear in mind that I've touched on only one of the bill's awful features. There are many others, like the clause that prohibits Medicare from using its clout to negotiate lower drug prices. Why is this bill so bad?

The probable answer is that the Republican Congressional leaders who rammed the bill through in 2003 weren't actually trying to protect retired Americans against the risk of high drug expenses. In fact, they're fundamentally hostile to the idea of social insurance, of public programs that reduce private risk.

Their purpose was purely political: to be able to say that President Bush had honored his 2000 campaign promise to provide prescription drug coverage by passing a drug bill, any drug bill.

Once you recognize that the drug benefit is a purely political exercise that wasn't supposed to serve its ostensible purpose, the absurdities in the program make sense. For example, the bill offers generous coverage to people with low drug costs, who have the least need for help, so lots of people will get small checks in the mail and think they're being treated well.

Meanwhile, the people who are actually likely to need a lot of help paying their drug expenses were deliberately offered a very poor benefit. According to a report issued along with the final version of the bill, people are prohibited from buying supplemental insurance to cover the doughnut hole to keep beneficiaries from becoming "insensitive to costs" - that is, buying too much medicine because they don't pay the price.

A more likely motive is that Congressional leaders didn't want a drug bill that really worked for middle-class retirees.

Can the drug bill be fixed? Yes, but not by current management. It's hard to believe that either the current Congressional leadership or the Mayberry Machiavellis in the White House would do any better on a second pass. We won't have a drug benefit that works until we have politicians who want it to work.