

The biggest threat to Medicare you've never even heard of

By Rep. Pramila Jayapal (D-Wash.) and Dr. Susan Rogers, opinion contributors The Hill — 12/09/21

Every year on July 30, advocates across the nation bake cakes and hold rallies to celebrate the anniversary of Medicare, the popular federal program established in 1965 to provide health care to seniors and Americans living with disabilities. The festivities are for good reason: Seniors love Medicare. It is simple, efficient, and empowers them to manage their own health.

But starting this year, millions of seniors are quietly being enrolled into a program run by third-party middlemen called Medicare Direct Contracting (DC). This is occurring without their full knowledge or consent. If left unchecked, the DC program could radically transform Medicare within a few years, without input from seniors or even a vote by Congress.

Developed late in the Trump administration, the Medicare DC program allows commercial insurers and other for-profit companies to “manage” care for seniors enrolled in Traditional (fee-for-service) Medicare. Instead of paying doctors and hospitals directly for seniors’ care, Medicare gives these middlemen (called Direct Contracting Entities, or DCEs) a monthly payment to cover a defined portion of each seniors’ medical expenses. DCEs are then allowed to keep what they don’t pay for in health services, a dangerous financial incentive to restrict and ration seniors’ care.

A majority of seniors choose Traditional Medicare over Medicare Advantage, the version of Medicare run by commercial insurers, because they value having free choice of providers and the power to manage their own care. But under the Medicare Direct Contracting program, older Americans who actively chose the popular Traditional Medicare program are automatically enrolled into a Direct Contracting Entity without their full knowledge or consent.

Seniors in Traditional Medicare may be “auto-aligned” to a DCE if any primary care physician they’ve visited in the past two years is affiliated with that DCE. That means Medicare automatically searches two years of seniors’ claims history without their full consent to find any visits with a participating DCE provider as the basis for enrollment. It’s no wonder that the current DC pilot phase includes potentially 30 million Traditional Medicare beneficiaries enrolled in 53 DCEs across 38 states.

It gets worse. Who are we trusting to “manage” our seniors’ care? Virtually any type of company can apply to be a [DCE](#), including commercial insurers, venture capital investors, and even dialysis centers. In fact, applicants are [approved](#) without oversight from Congress. Unlike other care management models, there isn’t even a requirement that DCEs be majority owned by health care providers. This opens the door to ownership by for-profit entities with no health care expertise at all.

Wall Street investors are already tripping over themselves to get [into](#) the DC program. This should be a huge red flag for taxpayers and anyone concerned about funding Medicare for future generations. While Traditional Medicare spends an impressive 98 percent of its budget on patient care, Direct Contracting Entities only [spends](#) 60 percent of our tax dollars on patient care — keeping up to [40%](#) of revenues for their own profit and overhead. We can’t think of any other industry with numbers like these, let alone one entrusted to care for the health of our nation’s seniors.

If you’ve never heard of Direct Contracting, you’re not alone. The DC program was created by the Center for Medicare and Medicaid Services’ [“Innovation Center”](#), which was established to pilot health payment models without congressional authorization. The Innovation Center can approve and sign contracts with Direct Contracting Entities. They can even scale up the program to cover all of Medicare, without so much as a vote or hearing in Congress.

That's why doctors from across the nation are gathering at the Department of Health and Human Services (HHS) this week to ring the alarm bells about Direct Contracting. They're calling on HHS Secretary [Xavier Becerra](#) to end the DC program immediately. They're also urging members of Congress to demand a hearing on this attempt to sell our beloved Medicare to Wall Street investors.

Since Direct Contracting is a pilot program, it can and should be stopped in its tracks by the Biden administration while we have the chance. After our experience with commercial Medicare Advantage plans, we already know that inserting a profit-seeking middleman into Medicare ends up costing taxpayers [more](#), with fewer choices and worse [outcomes](#) for seniors.

As a physician and a member of Congress, we've never heard a senior ask for their health care to be more complicated, or to have their choice of Traditional Medicare taken away. But that's exactly what Direct Contracting would do. Traditional Medicare has proven its value for more than half a century. Instead of selling it off to the highest bidder, let's strengthen and improve its benefits while working to expand it to cover every American.

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