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American Retirees Education Foundation

NRLN
NATIONAL RETIREE LEGISLATIVE NETWORK

MEDICARE ADVANTAGE PLANS – PRIVATIZATION'S TROJAN HORSE

IS "PREMIUM SUPPORT" A BETTER DEAL FOR OUR COUNTRY?

Executive Summary

Pre-1996 HMO plans did not compete with Traditional Medicare. The 1997 Balanced Budgets Act (BBA) added a 3% subsidy, and the 2000 Benefits Improvement and Protection Act (BIPA) created Medicare Choice (MC) plans, subsidies, benchmarks and capitation payments; market share for MC plans rose from under 5% in 1996 to 19% in 1999 then tumbled to 13% by 2003. The 2003 Medicare Modernization Act (MMA) added subsidies of 12–17% (averaging 14%) and renamed Medicare Choice (MC) to Medicare Advantage (MA) plans – MA share rose to 24% by 2010.

The Medicare Payment Advisory Commission (MedPac) found Medicare was paying private plans 14% more per enrollee under the "benchmark system" than the cost of care in Traditional Medicare. The Affordable Care Act (ACA) of 2010 phased out MMA subsidies, but replaced them with a four-star quality rating system and opened the door for new payment schemes that drove MA plan market share to 33% by 2017.

Private plan market share has grown proportionally as federal subsidies are baked into monthly payments to insurers. MA plan providers lobbied their way into the Medicare market, MA plans have been the Trojan horse lobbied for by insurance companies and promoted by Congress to deliver full scale privatization of Medicare.

Congress promised that Traditional Medicare Fee-For-Service (FFS) would be an option for Medicare eligible seniors under the Premium Support (PS) model. However, a recent proposal calls for payments for services provided to beneficiaries in traditional Medicare would be capitated (as are MA plans) rather than the current approach that generally ties payments to the specific services that beneficiary's use.

If our Health and Human Services / Centers of Medicare and Medicaid Services (HHS / CMS) agency team put the same effort into directly requesting lower costs and better service and loyalty from FFS providers across the board, if it introduced effective managerial skills and discipline and if it did not waste $90 billion a year of workers' and companies' payroll taxes on Wrong and Improper Payments, couldn't our U.S. seniors and taxpayers get a better deal than what insurance companies who carry 10-15% overhead burden vs Medicare's 3% offer us? This is not a pitch for a "single payer plan", it's a credit to our Medicare system as it was intended to be!

Our Medicare program, as originally intended, can serve 25% more or 75 million seniors by 2035 (in 17 years) and 100 million by 2060. Privatization may institutionalize confusion, chaos and higher senior payments than the ACA.

CMS is now gifting taxpayer money to MA insurers so they can market new benefits that are not available to 39 million traditional Medicare FFS enrollees. Another 3.4% or $7 billion in 2019 is approved to buy food consulting, home delivery of groceries, home safety devices, etc... These giveaways lure new MA enrollees.

The Congressional Budget Office's (CBO's) October 5, 2017 Analysis of Illustrative Options[10] states clearly that under privatized regional exchanges and using the 2nd lowest bid option "Without Grandfathering" (a new 2018 proposed scheme that increases reported savings) that results in:

"Net Federal Spending for Medicare Parts A and B for Affected Beneficiaries" that would be lower by	-15%
"Premiums Paid by Affected Beneficiaries" that would be higher by	35%
"Total Payments by Affected Beneficiaries (premiums, deductible" co-pay and co-insurance) that would be higher by	18%
"The Combined Net Federal Spending for Total Payments by Beneficiaries" that would be lower by just	-7%

Without grandfathering, enrollees must pay 18% more for health care payments and the federal government saves only 8% ($419 billion) in 2024. Seniors should be informed that grandfathering may be out, and MA plans may be discontinued by 2022.

With grandfathering, federal savings would be only $50 billion in 2024. This $50 billion of savings would be .71% of 2017 salaries and wages taxes of $7.0 trillion, or just a 7.1% savings on the $710 billion in Medicare A & B combined benefits paid in 2017.

Clearly, Premium Support will not lower the cost of health care, instead it will shift 18% of the federal tax burden and health care costs to seniors while protecting the health care provider and pharmaceutical industries. If the MA plan is the Trojan horse for Premium Support, then the CBO October 5, 2017 analysis has crippled it. It's time to have an honest discussion about the efficacy of premium support and privatization.

The NRLN Asks Congress and the Executive Branch to:

- Direct Government Accountability Office (GAO), CBO and the HHS Inspector General to investigate and report on MA and Original Medicare Part A and Part B independent financials and assess and publicly disclose the cost effectiveness of MA, with and without taxpayer subsidies.
- Retract the planned 2019 MA 3.4% benefit subsidies and grandfather and protect the 18 million seniors (33%) who have purchased MA plans from future reductions in benefits and set payment controls that insure equitable treatment.
- Reduce the $141 billion annual wrong and improper payments generated by all federal agencies (particularly the $90 billion attributable to Medicare and Medicaid), sequester savings and use them to eliminate the 75-year deficits of Medicare Part A and Part B, then Part D. Payroll tax increases are an option.