



Medicare Privatization – A Bait and Switch Failure and Government Scandal

2/24/2020

Talking Points:

- From 1997 to 2018, Medicare Advantage (MA) market share grew only as Congress funded \$380 billion in subsidies. Medicare Trustees, HHS Inspector General and MedPAC warned Congress that the subsidies were not productive and classified them as overpayments, part of the \$85 billion annual total Medicare and Medicaid overpayments. Congress and HHS ignore these independent watchdogs.
- 2018 Medicare payments for Parts, A, B and D were **\$741 billion growing to \$1.6 trillion by 2028. Up \$648 a month. Enrollee payments grow 4 times faster than new enrollees.**¹ Congress will dump Medicare on seniors to avoid paying the 2028 bill, deceiving MA plan enrollees and 40 million original Medicare (FFS) enrollees in a scandalous bi-partisan bait and switch funded by all taxpayers.
- Congress funded **19 new benefits for MA plan enrollees only, in 2020.**² A Feb. 5, 2020, letter signed by 338 members of Congress in both parties urged the CMS Administrator for updates (more benefits) to Medicare Advantage plans in 2021. This is blatant discrimination and steps outside the reality that Medicare C is a nested Medicare plan. It is a private plan that is funded by CMS directly and sucks the life out of the Medicare Part A (HI) and B-D (SMI) trusts and all taxpayers who fund 72% of B and D benefits. Medicare assures enrollee equal access to benefits. Denial of new benefits to original Medicare participants is a benefit cut, is immoral, unethical and discriminatory. The **Better Medicare Alliance** (an MA plan insurer lobby) refers to 361 members of Congress as **“Congressional Champions”**. BMA probably wrote the letter for their Champions to sign but **our President promised no benefit cuts!**
- Insurance companies are falsifying advertising by directly implying and claiming that “most” MA plans don’t charge premiums and that new benefits are free. Both false: all Medicare enrollees pay \$144.60 a month for access to all Part A and 80% of all B benefits; insurers should not charge a premium for A and B unless their bid is higher than FFS benchmarks; and taxpayers subsidize insurer benefit costs and new benefits. **MedPAC estimates 2020 rebates / enrollee to be 50% above 2016 (at 13% of \$293 billion in MA payments) or \$38 billion!**³ A waste! Are taxpayers OK with insurance company rebates/subsidies?
- The 2019 Medicare Trustee’s Report disclosed that 2018 expenditures per MA plan enrollee were higher than for original Medicare Fee for Service (FFS) enrollees! **Part B paid per enrollee was 16% higher than FFS’s! Part A with cherry-picking younger enrollees (fewer days in hospitals) scored 10% lower.**⁴ Without cherry-picking, the **103%** score would be much higher. Trustees cited that cherry-picking new enrollees made it close but warned MA enrollee costs would raise sharply as seniors switch into or age within MA plans. The NRLN asserts that Insurance companies would drop Medicare’s business if rebates were eliminated. They should have to **compete the American way – win without rebates!**
- What business would pay its suppliers a 50% rebate for delivering products or services at a 1 star out of 5 quality rating? Only CMS. The capitation payment system is corrupted by politics and insurers cheat risk assessment and patient coding rules. CMS pays capitation monthly payment but gave up FFS direct supplier selection, cost and quality control. MA quality standards are highly suspect. Curative and Chronic disease and wellness programs can all be managed under FFS. MA plans are a scam that pose greater negative consequences than the prescription drug pricing model.
- In 2017, annual MA plan gross margins averaged \$1,608, twice (2X) those for individual and group plans. Pre-tax net margins for MA plans is 20%-25% higher than for other healthcare individual or group plans.

(Over)

The NRLN Asks Congress and the Executive Branch to:

- Grandfather seniors who have purchased MA plans in good faith, protect benefits and subsidies and direct the Government Accountability Office (GAO), CBO and HHS Inspector General to investigate financials of MA and Original Medicare Part A and Part B, with & without unwarranted subsidies, then...
- Switch back to FFS and focus on costs as well as medical innovation and wellness management and continue to encourage private insurance carriers to compete with Medicare but without subsidies. Only improved effectiveness and lower cost can avert long term individual loss of purchasing power and national economic consequences as the over-age 65 population grows to 100 million.
- Make 2019 and 2020 subsidies for home air filters, carpet shampooing, heart healthy meals and other services available to the 38.2 million original Medicare A & B, FFS enrollees with chronic illnesses. There can be no reason why they should be denied new chronic Asthma treatments!
- Reduce Medicare and Medicaid \$85 billion in annual wrong and improper payments; use savings to eliminate the 75-year deficits of Medicare A and B.

Reference Tables and Charts:

1 – NRLN table of data extracted from the 2019 Medicare Trustee’s Report showing the total projected Medicare expenditures and expenditures per enrollee in original Medicare Parts A and B and those in Medicare C, Medicare Advantage Plans.

2 – An NRLN Table of benefits extracted from the 2018 Bi-Partisan Budget Act showing new benefits legislated for Medicare Advantage Plan enrollees but denied to original Medicare beneficiaries.

3 – A MedPAC table reflecting a Medicare Policy Advisory Committee (MedPAC) analysis of CMS rebate payments made to Medicare Advantage plan insurance companies from 2016 – 2020 (preliminary).

4 – An NRLN table of data extracted from the 2019 Medicare Trustee Report of Medicare Part A and Part B expenditures (incurred basis) for Medicare C (MA plans) and Original Medicare FFS in total and on a per enrollee basis. Includes Part A and B calculations of the % that MA plan expenditure per enrollee were of FFS per enrollee expenditures.

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1.

TRUSTEE'S REPORT PROJECTS 2018-2028 MEDICARE A, B, & D TOTAL EXPENDITURES (\$bil.) & PER ENROLLEE (\$mil.)

	2018 Actual	2028 Projected	2018 - 2028
A+B+D \$'s (2019 TT'S REPORT PG. 103)	\$741	\$1,585	114%
A+B+D # Enrollees (2019 TT'S REPORT PG. 173)	59,920	76,734	28%
A+B+D Expenditures / Enrollee	\$12,366	\$20,656	67%
A+B Expenditures / Enrollee	\$11,352	\$19,127	68%
Medicare C Expenditures / Enrollee	\$10,951	\$19,208	75%

Hospital Insurance (HI) Trust (Part A) Projected to be Negative in 2026

2.

PHONEY INCENTIVES PAID FROM 1997-2018 & \$165 BILLION IN OUTRIGHT GIFTS TO INSURANCE COMPANIES 2019 to 2029 ARE UNDERMINING 40 MILLION MEDICARE ENROLLEES & THEIR FAMILIES AND THREATENS THE FUTURE OF MEDICARE

		20 Million MA Enrollees	40 Million Orig. Medicare Enrollees
1998-2018 Bid/Benchmark + Star Rebates (Benefits Paid 54%/Rebates, GM 14%)		\$380 Billion	
Vision Plan		YES	NO
Dental Plan		YES	NO
Silver SNEAKERS		YES	NO
Hearing Plan		YES	NO
Pay Insurer to Reduce Medicare A, B & D Premiums, Deductibles & Copays .		YES	NO
Average / Year 1998 - 2018, 21 years		\$18.1 Billion	
2019 & 2020 CHRONIC CARE DOLLAR SUBSIDIES TO BE PAID TO INSURERS			
Pay for Nutritional Services	2019	YES	NO
Pay for Non-Skilled in-Home Support (Dressing, Eating, Housekeeping)	2019	YES	NO
Pay for Grab Bars for Showers	2019	YES	NO
Pay for Wheelchair Ramps	2019	YES	NO
Pay for Transportation to see Doctor	2020	YES	NO
Pay for Transportation to Fitness Center	2020	YES	NO
Pay for Transportation to the Pharmacy	2020	YES	NO
Will Pay for Over the Counter Medicines (eyedrops, vitamins etc.)	2020	YES	NO
Pay for Compression Stockings	2020	YES	NO
Pay for House calls by Doctors and other Providers	2020	YES	NO
Pay for Home Dialysis	2020	YES	NO
Pay for Telehealth Information Services	2020	YES	NO
Pay for Personal Safety Devices and Services.	2020	YES	NO
Pay for Home Delivered Meals	2020	YES	NO
Pay for Changed Air Filters for Asthma Patients	2020	YES	NO
Pay for Shampooing Carpets for Asthma Patients	2020	YES	NO
Pay for Delivery of Heart-Healthy Meals	2020	YES	NO
Affordable Care Organizations - Plan will Pay \$20 / OCO Service	2020	YES	NO
Pay to Waive Geographic Limits - Get Renal Failure & Stroke Treatment.	2020	YES	NO
Full Annual Increase / Year Starting 2020 (\$165 Billion over 10 Years)		\$16.5 Billion	
% That 2018 PLAN EXPENDITURES WERE OF ORIGINAL MEDICARE FFS EXPENDITURES!		103.0%	100%

3.

Level of rebates reached historic high in 2020



MEDPAC

Source: MedPAC analysis of MA bid data.
Estimates are preliminary and subject to change.

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4.

2019 MEDICARE TRUSTEE'S REPORT (2018 Plan Year) EXPENDITURE DATA

<u>Expenditures by Plan (IV.A3 pg. 120 & IV.B6, pg. 134)</u>	Medicare A Expenditures	Medicare B Expenditures	Medicare A and B Expenditures	
Expenditures, Incurred Basis:				
Private Plans - MA Plans **	\$101,998,000,000	\$131,552,000,000	\$233,550,000,000	36.5%
Original Medicare Fee-For-Service (FFS) Plans	\$203,335,000,000	\$202,793,000,000	\$406,128,000,000	63.5%
Total	\$305,333,000,000	\$334,345,000,000	\$639,678,000,000	100.0%
Expenditures by Plan Type per Enrollee:				
Private Plans - MA Plans	\$4,782	\$6,167	\$10,949	
Original Medicare Fee-For-Service (FFS) Plans	\$5,317	\$5,302	\$10,619	
Enrollee Expenditures: MA as % of FFS**	89.94%	116.31%	103.11%	

** The Trustees Report points out that MA plans insurers' enroll younger, healthier seniors thus spend less on Plan A, Hospital benefits than FFS plans do and also express concern that if large #'s older FFS enrollees switch to MA plans that MA plan premiums, deductibles and OOP max limits would raise sharply.