



Medicare Advantage: A Disadvantage to Seniors, & a Path to Privatization



PROBLEM

Nearly 43 million Americans are Medicare beneficiaries who receive health care services through traditional Medicare. Of those beneficiaries, nearly 8.3 million enroll in Medicare Advantage (MA) plans to receive coverage offered by private insurance companies under contract with Medicare. The government pays these plans 12 to 19 percent more than what the same services would cost under traditional Medicare. Ironically, MA plans were brought into the Medicare program to reduce costs by offering more comprehensive health care management.

These MA overpayments will cost the government and taxpayers more than \$54 billion over 5 years, rapidly rising to about \$160 billion over 10 years. The overpayments are depleting the Medicare Trust Fund. At this rate, it could run out of money 2 years earlier than currently expected.

Enrollment in MA plans is expected to increase by 75 percent over the next decade. Therefore, MA overpayments will also accumulate substantially over time. This will cause Medicare premiums to increase, and further worsen Medicare's funding shortfall. There will be tremendous pressure for deep Medicare cutbacks down the road, and increased efforts to privatize Medicare through a voucher system!

PRIVATE FEE FOR SERVICE (PFFS): A SNAKE IN THE GRASS

Medicare Advantage Private Fee For Service (PFFS) plans are the worst offenders. Unlike other MA plans, PFFS plans are not required to report any quality data, so there is no way for the government to assess how these plans are spending their extra money or whether they provide quality care to the people they enroll. These plans receive the highest overpayments, with a great deal of the money going to insurance company profits, marketing, and higher administrative costs.

BENEFITS: UNPREDICTABLE AND UNEQUAL

Private insurance companies offering MA plans control how the overpayments are used. They pick and choose which extra benefits to provide. Private plans provide extra benefits that disproportionately benefit the healthy, and often *reduce* benefits for sicker beneficiaries in order to deter them from enrolling. In fact, people who actually become sick will often have to pay more when they need health care services through higher co-payments, a scenario that is not made clear at the time of enrollment. Finally, the extra benefits cannot be relied upon because benefits the private plans provide can change from year to year.

Additionally, while a portion of the overpayments actually goes to additional benefits, only a fraction of those additional benefits are for lower-income beneficiaries. If Congress were to cut the overpayments to MA plans, that money could potentially be used to strengthen the program and improve Medicare for all beneficiaries especially programs benefiting all low-to-moderate-income Medicare beneficiaries.

HIDDEN PROFITS FOR INSURANCE COMPANIES, HIDDEN COSTS FOR SENIORS

The overpayments to insurance companies are unequal and unfair because all beneficiaries pay extra for the few who are in private plans. It costs every Medicare beneficiary an extra \$2 a month in Part B premiums to cover the cost of the subsidies going to the private companies offering MA plans.

The \$54 billion in overpayments to private insurance companies is poorly spent. While some of this money goes to additional benefits, it often also goes to profits, marketing, and administrative costs.

TALKING POINTS

- Stop the overpayments to Medicare Advantage private insurance companies.
- Support traditional Medicare by improving care for all Medicare beneficiaries.
- Seniors need a meaningful drug program, better preventive services, and other improved benefits.
- Overpaying private insurance companies is an extremely wasteful and inefficient way to provide extra benefits.

WHAT CAN CONGRESS DO?

- **Allocate federal funds to provide additional benefits and coverage efficiently to Medicare beneficiaries, rather than using these funds to supplement windfall profits to insurance companies:** All of the \$54 billion in overpayments, not some amount determined by private insurance companies, should be used to provide better health care to vulnerable Americans, including low-income seniors, people with disabilities, and children.
- **Allow the choice of private plans on a level playing field,** with insurance companies paid neither more nor less than regular Medicare. Private plans must also be required to provide benefit packages at least as strong as traditional Medicare's, and should include services such as home health care that are used by the sickest and most vulnerable. Medicare beneficiaries should be protected against high out-of-pocket costs.
- **Beneficiaries who are enrolled in private plans deserve protection.** As Congress reduces overpayments to MA plans, policies should be put in place to protect low-income beneficiaries against increases in out-of-pocket spending.

