June 5, 2007

U.S. House of Representatives
Washington, DC 20515

Dear Representative:

The undersigned members of the Leadership Council of Aging Organizations (LCAO)—who represent millions of Medicare beneficiaries—are writing to express our strong support for changes to the payment policy and benefit offerings of Medicare Advantage (MA) plans.

Private plans were originally allowed to participate in Medicare because they were expected to deliver extra benefits to enrollees at a lower cost than the traditional fee-for-service program. Over the years payments to private plans have increased and they are now paid an average of 12 percent more than traditional Medicare (19 percent more in the case of Private Fee-For-Service plans). Because plan payments vary in different parts of the country, plans in some localities are paid 50 percent more than traditional Medicare.

We support the Medicare Payment Advisory Commission’s (MedPAC) recommendation that payment policy should be built on a foundation of financial neutrality between payments under the traditional fee-for-service program and payments to private plans. In other words, the Medicare program should pay the same amount, adjusting for risk, regardless of whether a beneficiary enrolls in traditional Medicare or Medicare Advantage. At a recent Congressional hearing MedPAC testified that, “What is occurring now is that the most inefficient plans are expanding their enrollment, and providing extra benefits with taxpayer dollars in an inefficient manner. The longer the current situation continues, the more difficult it will be to reform the program to restore the right incentives in the MA program to promote efficiency and improve quality.”

Equalizing Medicare payments would level the playing field between traditional Medicare and private plans. It would also encourage private plans to find ways to more efficiently deliver benefits to their enrollees. The Congressional Budget Office (CBO) has estimated that equalized Medicare payments would save about $54 billion between 2009 and 2012 and nearly $149 billion between 2009 and 2017.

Inflated payments to Medicare Advantage plans are funded by all taxpayers and all Medicare beneficiaries, not just the 19 percent of Medicare beneficiaries enrolled in private plans. According to the Centers for Medicare and Medicaid Services (CMS), eliminating these inflated payments would reduce Medicare Part B premiums by $2.00 a month per beneficiary and would bring an additional two years of solvency to the Medicare hospital trust fund.

Those supporting inflated payments to Medicare Advantage plans have claimed that equalizing payments would disproportionately harm minority and low-income beneficiaries. Contrary to recent claims, data from the Medicare Current Beneficiary Survey (MCBS) Access to Care files show that minorities are not overrepresented in Medicare Advantage plans and that low-income beneficiaries are more likely to be enrolled in Medicaid than Medicare Advantage. We believe the best way to improve the Medicare
program for low-income beneficiaries is to strengthen the Medicare Savings Programs (MSP) and improve Medicare Part D’s Low-Income Subsidy (LIS) program.

We are also concerned about some of the benefit packages offered by Medicare Advantage plans. Private plans do not necessarily provide benefits that are fully equivalent to traditional Medicare. They are required to cover everything that Medicare covers, but they do not have to cover every benefit in the same way. For example, private plans may create financial barriers to care by imposing higher cost-sharing requirements for benefits like home health services, hospitalization, skilled nursing facilities, inpatient mental health services, and durable medical equipment. We believe that Medicare Advantage plans should be prohibited from imposing higher cost-sharing requirements than traditional Medicare.

If Medicare Advantage plans continue to receive these substantial subsidies and retain the flexibility to impose higher cost-sharing for benefits that more costly beneficiaries are likely to use, traditional Medicare will over time become an unaffordable option. Beneficiaries who have greater health care needs will remain in traditional Medicare, where premiums will climb as a result of higher cost enrollees and the private plan subsidies.

Thank you for considering our views on Medicare Advantage plans. We look forward to working with you to improve Medicare by bringing more fairness, efficiency, and fiscal responsibility to the program.

Sincerely,

Alliance for Retired Americans  
American Association for International Aging  
AFL-CIO  
AFSCME Retiree Program  
American Federation of Teachers, Program on Retirement and Retirees  
American Society on Aging  
Association of Jewish Aging Services of North America  
B’nai B’rith  
Families USA  
International Union, United Auto Workers  
Military Officers Association of America  
National Academy of Elder Law Attorneys  
National Active and Retired Federal Employees Association  
National Association for Home Care & Hospice  
National Association of Professional Geriatric Care Managers  
National Association of RSVP Directors  
National Association of Social Workers  
National Association of State Long-Term Care Ombudsman Programs (NASOP)  
National Committee to Preserve Social Security and Medicare  
National Council On Aging  
National Indian Council on Aging  
OWL, The Voice of Midlife and Older Women
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United States Senate
Washington, DC  20510

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National Academy of Elder Law Attorneys
National Active and Retired Federal Employees Association
National Association for Home Care & Hospice
National Association of Professional Geriatric Care Managers
National Association of RSVP Directors
National Association of Social Workers
National Association of State Long-Term Care Ombudsman Programs (NASOP)
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OWL, The Voice of Midlife and Older Women