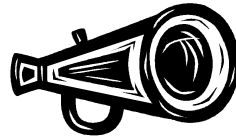




ACTION ALERT!



Stop Medicare Privatization

Update

Government Affairs

January 2009

Medicare has provided quality, affordable health care for millions of older Americans since its creation in 1965. But recent changes have raised out-of-pocket costs for beneficiaries, increased the participation of private health insurance plans, and negatively impacted the program as a whole. The “Medicare Prescription Drug, Improvement, and Modernization Act of 2003” (P.L.108-173) (MMA) undermined and privatized Medicare by creating the Part D prescription drug program and Medicare Advantage (MA) plans offered by private insurers.

Prescription Drug Privatization.

The MMA bans Medicare from offering seniors a government-administered prescription drug plan and forbids the Secretary of Health and Human Services from directly negotiating lower prices with drug manufacturers. The privatized prescription Part D drug benefit is an inefficient, expensive, and complex program that fails to meet the needs of many seniors.

Medicare Advantage Plans.

Of the almost 45 million Americans that are Medicare beneficiaries, 23% are enrolled in MA plans offered by private insurance companies. MA plans were supposed to reduce costs, but the government actually pays these insurance companies an average of 13 to 17 percent less than what the same services would cost under traditional Medicare. All Medicare beneficiaries, whether enrolled in a MA plan or not, pay an extra \$3 a month in Part B premiums to subsidize payments to private corporations. These overpayments will cost the government and taxpayers more than \$54 billion over 5 years, rapidly rising to about \$160 billion over 10 years. At this rate, the Trust Fund could run out of money 2 years earlier than previously expected.

Additionally, insurance companies offering MA plans control how the overpayments are used. While, some of the money *could* be put toward strengthening Medicare and providing additional benefits, it is often used for marketing, administrative costs and profit. Private plans disproportionately benefit the healthy and often actually *reduce* benefits for sicker beneficiaries to discourage them from enrolling. In fact, people who become sick will often face higher co-payments and actually end up paying more for health care, something that is not made clear at the time of enrollment. Private plans can change what they offer from year to year, which causes uncertainty and confusion.

The 2010 Medicare Privatization Project.

The MMA requires Medicare to compete with private, subsidized plans in up to 6 markets in 2010. Every beneficiary in each region will receive a fixed dollar amount to spend on health care premiums. If a participant enrolls in a less expensive plan, he can pocket some of the savings. If he enrolls in a more expensive plan, he will pay out-of-pocket for any additional costs. The project will create an uneven playing field benefiting Medicare Advantage plans, encouraging healthy beneficiaries to sign up with private insurance companies for a lower cost. Recipients of traditional Medicare will be forced to pay higher premiums, since the program insures sicker and higher cost beneficiaries.



Talking Points for Alliance Activists on Medicare Privatization

- Stop the overpayments to Medicare Advantage private insurance companies. Ensure that MA funds are used to provide additional benefits and coverage to all beneficiaries, not windfall profits for insurance companies.
- Allow the choice of private plans on a level playing field, with insurance companies paid neither more nor less than regular Medicare.
- Require private plans to provide benefit packages as strong as traditional Medicare's, and include services such as home health care that are used by the sickest and most vulnerable.
- Beneficiaries who are enrolled in private Medicare Advantage plans deserve protection. As Congress reduces overpayments to MA plans, put policies in place to protect low-income beneficiaries against increases in out-of-pocket spending.
- Create a national Medicare-administered Part D plan.
- Repeal the 2010 Medicare Privatization Project.

Sample Questions to Ask Your Members of Congress

- What will happen to Medicare in health care reform?
- How will the escalating costs of Medicare and the entire health care system be brought under control?
- Would you support legislation that decreased subsidy payments to private Medicare Advantage plans?
- Will Medicare's benefits be expanded to include uncovered services such as dental, vision, podiatry and preventive care?



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