Medicare Advantage is a Trojan Horse for Privatization of Medicare

Washington's efforts to privatize health care acclerated with passage of the 2003 Medicare Modernization Act, written as a gift to enhance the bottom line of both Big PhRMA and the private insurance industry, the largest funders of Congress and the congressional revolving door that ushers former congress members into jobs as high-paid industry lobbyists. Thus did Rep. Billy Tauzin leverage his key role in passge of the MMA to become the highly paid president and CEO of the industry trade group PhRMA.

Even as the 2003 MMA prohibited negotiation of bulk drug rates (as the VA does to save costs), it promoted the privatization of Medicare, funneling subsidies totaling over tens of billions of dollars annually to private Medicare Advantage plans, overpaying them for services readily provided by traditional Medicare at less cost.

Ostensibly created to save Medicare money, the commercial insurance industry has manipulated the system so that Medicare Advantage plans are paid significantly more than the cost of traditional Medicare. At the time of the Affordable Care Act's passage, Medicare Advantage was paid 14 percent more than traditional Medicare (averaging $1,000 more per person annually) - hundreds of billions of dollars that could be recouped annually with elimination of subsidies to private insurance plans.

The Trump administration, with Centers for Medicare and Medicaid Services (CMS) head Seema Verma, actively promotes expansion of Medicare Advantage Plans, boosting payment to the program more every year, adding a 3.4 percent increase in 2019. Thanks to subsidization, Medicare Advantage plans take in twice the profits of the average of Medicare plans overall, 5 percent in 2016, an inducement for more private insurers to offer Medicare Advantage plans.

The *Chronic Care Act* of 2018 became yet another tool of the Trump administration to funnel still more money to private Medicare Advantage plans while cutting funding for traditional Medicare. The Act dedicates increased funding to Medicare Advantage for non-medical benefits, such as transportation and housing, at the same time it depletes medical funding for traditional Medicare.

Contrary to assertions that MA plans lower costs, they are a vehicle for privatizing Medicare, even while realizing windfall gains for private insurers. Medicare Advantage providers further protects their bottom line by transferring risk and costs in the form of higher deductibles and copays to the insured, reducing benefits and shrinking provider networks, thereby reducing choice of doctors and hospitals.

The Medicare Payment Advisory Commission (MedPAC) has reported that private insurance plans use half of inflated payments received, not for additional benefits

or reduced cost-sharing, but to finance excess administrative costs, marketing and profits. Such plans often grant exceedingly large commissions to agents, motivating the use of misrepresentation and aggressive sales tactics to sell Medicare Advantage plans. Increased oversight and regulation could prevent beneficiaries from falling victim to unethical sales tactics.

Lack of transparency and reporting requirements obscures the allocation of overpayments to Medicare Advantage. Extra revneues in the form of federal "risk-adjustment" payments for sicker patients have raised concerns that insurers use "upcoding" to exaggerate health conditions in order to pocket more money. A 2017 study revealed that inflated risk adjustments could add more than $200 billion to the cost of Medicare Advantage plans in the next decade, despite no change in enrollees' health.

While Medicare Advantage plans are required to cover everything that Medicare covers, they do not have to cover every benefit in the same way. Even if they offer improved coverage of relatively inexpensive services such as dental or vision care, private plans often impose higher out-of-pocket cost-sharing for services required by the sickest, e.g., hospitalization or home health benefits – another means to cherry-pick the healthiest for coverage. So too, do such benefits as gym memberships attract healthier enrollees.

The advantage of single large risk pool insurance of traditional Medicare is undermined by cherry-picking that results in those with the greatest health care needs remaining in the traditional program, where their costs rise, even as they subsidize overpayments to private plans. Effectively, private plans receive excess payments while providing lesser coverage.

When enough people switch to Medicare Advantage plans, industry and their advocates in D.C. will be able to realize their long-time goal of privatizing Medicare by converting Medicare Advantage plans into voucher programs. Vouchers will gradually be reduced because private insurers will have bled the program dry, confirming their intent to ensure that "Medicare is going bankrupt."