



CMA Weekly Alert – April 19, 2007

GIVE THE *REAL* MEDICARE PROGRAM A CHANCE

The Center for Medicare Advocacy supports a uniform, cost-effective Medicare program. At a minimum, if there are to be private Medicare plans, there should be parity between payment for private Medicare options and the traditional Medicare program. The two models should receive equal payment for equal coverage. If the idea of “Medicare Advantage” (formerly “Medicare+Choice”) is to allow private insurance to offer coverage in the Medicare market, private market principles should apply.

The government should not subsidize private plans to enter, or to stay, in the market. Yet study after study, by MedPAC, the Congressional Budget Office, the Commonwealth Fund, and numerous scholars, show that taxpayers are paying at least 12% more to private plans than would be paid for the same beneficiaries in traditional Medicare. The Congressional Budget Office estimates that these subsidies will cost taxpayers \$54 billion over the next five years and \$149 billion dollars over the next ten years. As former Medicare Administrator Bruce Vladeck has said, the experiment with privatizing Medicare has not saved Medicare a nickel.

Private insurance has proven far less able to provide cost-effective, secure health insurance for older people and people with disabilities. That is why Medicare was enacted in 1965. At that time 50% of all people 65 years old or more had no insurance. Now Medicare provides coverage for about 95% of eligible older people and people with disabilities.

Private insurance failed before Medicare began, and failed older people again when plans left the Medicare market in droves during the 1990s as profits dwindled. That is why the plans are subsidized now, and that is why they will leave again if profits prove insufficient.

Regrettably, AARP announced this week (April 16, 2007), that it will vastly expand its position in the private Medicare market by sponsoring new Medicare Advantage plans in 2008. AARP already contracts with United Healthcare to sponsor Medigap and Part D prescription drug plans. AARP estimates that enrollment in their plans will double from 7 million today to 14 million beneficiaries by 2014 and that they will receive approximately \$500 million in revenue over the next decade. The entrance of AARP into the Medicare Advantage market is troublesome for all Medicare beneficiaries and advocates. AARP’s decision gives more weight to those who would like to see Medicare transformed into private insurance. In addition, the AARP brand name is widely recognized; many beneficiaries may switch from traditional Medicare into AARP’s privately-managed plan based on the name alone.

On the C-SPAN program “Washington Journal,” a senior policy attorney with the Center for Medicare Advocacy spoke about AARP’s decision and how it might influence many beneficiaries:

When we talk to individuals about prescription drug plans, when we talk to them about Medigap policies, sometimes people will just say, “I’m going with AARP,” without analyzing whether or not this is the best plan for them. We have very great concerns that people won’t analyze to see whether or not Medicare Advantage is a good deal for them. And it isn’t for a very large number of people. They’ll see the AARP name and they’ll just join the AARP plan.

Unfortunately, AARP’s entrance into the private Medicare market provides a major boost to the privatization of Medicare. It also significantly reduces the organization’s ability to speak as an objective voice for the interests of Medicare beneficiaries and the future of Medicare. The Center for Medicare Advocacy’s mission is to advance fair access to Medicare and health care. Private Medicare is not best for beneficiaries and it’s more expensive for taxpayers. Based on these standards and the history of Medicare, we can not support the privatization of Medicare, and we regret AARP’s decision to do so.

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