



Congress of the United States
House of Representatives
Washington, DC 20515

Health Insurance Reform Daily Mythbuster: ‘Health Insurance Reform Will Lead to Medicare Benefit Cuts for Seniors’

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Health insurance reform opponents continue to spread myths about America’s Affordable Health Choices Act. This week, America’s Health Insurance Plans [AHIP] – the health industry’s trade group – launched a million dollar TV ad buy in at least six states claiming health insurance reform would hurt the one in five of America’s seniors who are on Medicare Advantage plans. But the ad is wrong. The facts show the House bill will strengthen and improve Medicare benefits for older Americans and help eliminate waste, fraud and inefficiency from Medicare – including gross overpayments to insurance companies providing Medicare Advantage plans which do nothing to improve care for Medicare Advantage beneficiaries.

MYTH: Health insurance reform will harm one in five of America’s seniors who are on Medicare Advantage plans – cutting their Medicare benefits and the quality of services they receive.

FACT: The AARP says it best in their October newsletter: “...the changes actually aim to strengthen Medicare and improve beneficiaries’ care and access to physicians...”

And for those on Medicare Advantage specifically, AARP’s Executive Vice President of Policy John Rother writes: “Gradually eliminating these excess payments [to private Medicare Advantage plans] will permit good plans to continue and put pressure on others to offer better value to their enrollees... That’s what fair competition is supposed to do.”

Nothing in the House bill will cut basic Medicare benefits – the bill targets inefficiency, fraud and waste in Medicare, including gross and unnecessary overpayments to insurance companies that offer Medicare Advantage plans.

According to the nonpartisan Medicare Payment Advisory Commission, U.S. taxpayers pay 14 percent more on average to private Medicare Advantage plans to cover Medicare beneficiaries than it would cost traditional Medicare to cover them. These overpayments to private insurance companies were established in the Medicare Modernization Act, which the Republican-controlled Congress passed in 2003 and President George W. Bush signed into law.

When the Medicare Advantage program was originally created, insurance companies said that they would offer coverage for less than it was costing the government under traditional Medicare to provide the same services. Today, this promise has been broken and the taxpayers are paying the price.

- On average, this giveaway to private insurers costs an extra \$1,000 per enrollee. This adds up to an extra \$12 billion a year—and that cost is passed on to all seniors enrolled in traditional Medicare.
- According to health economist Austin Frakt, a Boston University Professor, “cuts to MA should be a no brainer.” Frakt’s research into Medicare Advantage overpayments shows that for every extra dollar to private insurance companies for Medicare Advantage plans – 86 percent went to pad the profit margins of the already wildly profitable health insurance industry. [9/28/09]

The nonpartisan Medicare Payment Advisory Commission has recommended phasing out these overpayments to Medicare Advantage – which is what the America’s Affordable Health Choices Act does.

A recent USA Today editorial, “How Medicare Advantage turned into a boondoggle,” highlighted the importance of rolling back these unfair overpayments to private insurers:

“The inflated costs of Medicare Advantage are hastening the bankruptcy of the overall Medicare system by an estimated year and a half...

“Far from improving Medicare, it has turned into a wasteful taxpayer handout to uncompetitive insurers...

“If there's anything in the medical system that's ripe for cutbacks, it's the wasteful subsidies in Medicare Advantage, which is projected to spend some \$1.6 trillion over the next 10 years...” [9/29/09]

America’s Affordable Health Choices Act protects seniors by strengthening the fiscal stability of Medicare over the long term and improving Medicare benefits across the board – from closing the prescription drug “donut hole” to ensuring access to physicians.

STRENGTHENED FINANCIAL STABILITY OF MEDICARE

- Extends the solvency of the Medicare Trust Fund by five years.
- Cuts waste, fraud and abuse in Medicare and reinvests those savings in benefit improvements.
- Focuses health care dollars on care and benefits, instead of overpayments to private insurance companies.

GUARANTEED ACCESS TO YOUR DOCTOR:

- Eliminates the 21 percent pay cut your doctor was facing for Medicare reimbursements, ensuring these doctors will still be able to care for seniors – especially in rural areas.
- Expands the medical workforce so seniors will have more doctors to choose from and an easier time getting an appointment.

BETTER BENEFITS:

- Lowers drug costs by gradually closing the “donut hole” for prescription drug reimbursement
- Computerizes medical records so seniors won’t have to take the same test over and over or relay their entire medical history every time they see a new provider
- Ensures free preventative care – eliminating copayments – and better primary care
- Improves low-income subsidy programs, including under the part D program, to help ensure Medicare is affordable for those with low and modest incomes.

[Download a Health Insurance Reform Guide for Seniors>>](#)