



Not Worth the Cost: Overpayments to Medicare Private Plans

In a Nutshell:

1. It is fiscally irresponsible to pay Medicare private health plans billions of dollars more than it would cost to provide care to their members under Original Medicare.
2. Medicare private health plans often provide more expensive and less accessible coverage than Original Medicare.
3. Money saved on overpayments to private insurance companies could be used on programs for low-income people with Medicare.

Talking Points:

1. It is fiscally irresponsible to pay Medicare private health plans billions of dollars more than it would cost to provide care to their members under Original Medicare.

Private plans came into the Medicare program with the claim that they could save taxpayers money. Instead, they cost between 12 percent and 19 percent more per person than the public Medicare program, amounting to \$5 billion per year in unnecessary cost to taxpayers.

2. Medicare private health plans often provide more expensive and less accessible coverage than Original Medicare.

While supporters of the insurance middlemen would like us to believe that overpayments allow private plans to provide a broader range of benefits, plan enrollees often end up with higher out-of-pocket costs and more coverage restrictions than they would with Original Medicare. Alternatively, people with Original Medicare have uniform benefits, coinsurance and copayments, and can purchase supplemental insurance to cover their out-of-pocket costs. Original Medicare provides not only coverage security, but fiscal efficiency – a review of the annual reports filed by the largest Medicare private health plans shows that 20 percent of private plan budgets go to administrative overhead, marketing costs and profit. In contrast, only 3 percent of spending on Original Medicare goes to administration and marketing, and there is no profit taken.

3. Money saved on overpayments to private insurance companies could be used on programs to help low-income people with Medicare afford their care.

The extra \$5 billion a year that go to private insurance companies could be better spent on broadening eligibility for Medicare Savings Programs and Extra Help, which cover Medicare premiums and copayments for low-income people with Medicare. Original Medicare, in conjunction with these low-income programs, provides more consistent services and lower costs than commensurate Medicare private health plans that target low-income people with Medicare.

Links to Resources

Related *Asclepius* Issues:

- Who Is Minding the Store?, October 11, 2007 • Volume 7, Issue 40
http://www.medicarerights.org/asclepios2007_40.html
- Modernize Medicare, Don't Privatize It, August 23, 2007 • Volume 7, Issue 33
http://www.medicarerights.org/asclepios2007_33.html
- Extra Payments = Extra Profits, August 16, 2007 • Volume 7, Issue 32
http://www.medicarerights.org/asclepios2007_32.html
- Cost-Effective Health Care, July 23, 2007 • Volume 7, Issue 28
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- Preventing Waste and Abuse, May 31, 2007 • Volume 7, Issue 22
http://www.medicarerights.org/asclepios2007_22.html
- Medicare Private Plan Overpayments: No Bang for the Buck, May 24, 2007 • Volume 7, Issue 21
http://www.medicarerights.org/asclepios2007_21.html
- Extra, Extra? No More!, March 22, 2007 • Volume 7, Issue 12
http://www.medicarerights.org/asclepios2007_12.html

Government Reports

- Medicare Advantage: Required Audits of Limited Value
<http://www.gao.gov/new.items/d07945.pdf>
- Update on the Medicare Advantage Program and Implementing Past Recommendations
http://www.medpac.gov/chapters/Jun07_Ch03.pdf
- Testimony: The Medicare Advantage Program and MedPAC Recommendations
http://www.medpac.gov/documents/041107_Finance_testimony_MA.pdf
- The Medicare Advantage Program: Trends and Options
<http://www.cbo.gov/ftpdocs/78xx/doc7879/03-21-Medicare.pdf>
- Medicare Advantage: Private Health Plans in Medicare
<http://www.cbo.gov/ftpdoc.cfm?index=8268&type=0>

Issue Briefs

- *Informed Choice: The Case for Standardizing and Simplifying Medicare Private Health Plans*
http://www.medicarerights.org/MRC-CHA_MAstandardization.pdf
- *Medicare Private Health Plans vs. Medicare Savings Programs: Which Is the Better Way to Help People with Low Incomes Afford Health Care?*
http://www.medicarerights.org/MA_vs_MSP.pdf
- *Too Good to be True: The Fine Print in Medicare Private Health Benefits*
http://www.medicarerights.org/MA_care_problems.pdf
- *Cutting Overpayments to Private Medicare Plans Can Help Fund Children's Health Coverage*
http://www.cbp.org/pdfs/2007/0707_bb_medicare.pdf
- *Curbing Medicare Overpayments to Private Insurers Could Benefit Minorities and Help Expand Children's Health Coverage*
<http://www.cbpp.org/5-10-07health.htm>
- *Medicare Beneficiary Out-of-Pocket Costs: Are Medicare Advantage Plans a Better Deal?*
http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=373489
- Testimony of David Lipschutz, California Health Advocates, before the Subcommittee on Health of the House Committee on Ways and Means, May 22, 2007
<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5966>