

**United States House of Representatives
Committee on Ways and Means, Subcommittee on Health
Hearing on "Medicare Premium Support Proposals"
Friday, April 27, 2012**

Mr. Chairman and Members of the Committee:

I am Max Richtman, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare, and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization devoted to preserving and promoting Social Security and Medicare. As you know, these programs are the foundation of financial and health security for older Americans. Today, I will address our concerns about the negative impact of Medicare premium support proposals on current and future beneficiaries and suggest alternative ways to improve Medicare's long-term financial solvency.

Recently, the National Committee contacted all Members of Congress to advise them of our opposition to H. Con. Res. 112, the House Budget Resolution for Fiscal Year 2013, which privatizes Medicare over time and achieves savings for the federal government through a premium support system that would shift costs to Medicare beneficiaries and others. Beginning in 2023, when people become eligible for Medicare they would not enroll in the current program which provides guaranteed benefits. Rather, they would receive a voucher, also referred to as a premium support payment, to be used to purchase private health insurance or traditional Medicare through a Medicare Exchange.

The amount of the voucher would be determined each year when private health insurance plans and traditional Medicare participate in a competitive bidding process. The amount of the voucher would be equal to what the second-least-expensive private plan or traditional Medicare agreed to accept to cover Medicare beneficiaries. Seniors choosing a more expensive plan would be required to pay the difference between the voucher and the plan's premium, which could limit lower-income beneficiaries' access to certain plans. Those choosing a less-costly plan would receive a rebate. Under Chairman Paul Ryan's budget resolution, the annual growth in Medicare spending is limited to gross domestic product (GDP) + 0.5 percent, a rate likely to be lower than the growth in health costs. If spending exceeded this amount beneficiaries would be subject to additional out-of-pocket costs. That is because the amount the federal government provides for their voucher would be limited.

Chairman Ryan's budget resolution calls for private plans to provide benefits that are at least actuarially equivalent to the benefit package provided by fee-for-service Medicare. This gives private companies the ability to tailor their plans to attract the youngest and healthiest seniors, even if payments are "risk adjusted" to take health status into account, which would leave traditional Medicare with older and sicker beneficiaries. Their higher health costs could lead to

higher premiums that people would be unable or unwilling to pay, resulting in a death spiral for traditional Medicare. This would adversely impact people age 55 and older, despite Chairman Ryan's assertion that nothing will change for them, as well as people currently enrolled in traditional Medicare.

The Ryan proposal establishes accounts for low-income Medicare beneficiaries, likely those people eligible for Medicare and Medicaid, to use to pay premiums, co-payments and other out-of-pocket costs. However, it is unclear what the amount of assistance would be or if it would adequately cover out-of-pocket expenses. In addition, the plan applies current means-testing thresholds for Medicare Part B and D premiums for higher-income beneficiaries so that they would continue to have higher costs in the privatized Medicare system.

In addition to privatizing Medicare over time, the Ryan budget would increase the age of eligibility for Medicare from 65 to 67 by increasing it two months per year from 2023 to 2034. The Ryan budget also calls for repealing provisions in the Affordable Care Act (ACA), which will make insurance available and more affordable for 65 to 67 year olds. Without the guarantees in the ACA, such as requiring insurance companies to cover people with pre-existing medical conditions and to limit age rating, it would be very difficult and expensive for older people who would no longer be eligible for Medicare coverage to purchase private insurance. Repealing the ACA would also take away improvements already in place for Medicare beneficiaries - closing the Medicare Part D prescription drug coverage gap, known as the "donut hole;" providing preventive screenings and services without out-of-pocket costs; and providing annual wellness exams.

Action is needed to strengthen the long-term solvency of Medicare, but it is important to remember that Medicare's costs on a *per capita* basis are growing more slowly than private health care costs. Costs will continue to increase because of general health care inflation and the number of people becoming eligible for Medicare as the baby boomers reach age 65. Any dialogue about Medicare solvency must address ways to control overall health care inflation while improving the quality of care being provided.

The National Committee to Preserve Social Security and Medicare supports measures to improve the Medicare program and its financing *without* taking away guaranteed benefits or shifting additional costs to beneficiaries, the majority of whom already have high out-of-pocket health care costs and cannot afford to pay more. There are many ways to address the rising cost of Medicare and improve the program without dismantling Medicare and making health care costs unaffordable for many older and disabled Americans. These include:

- Implementing reforms in the Affordable Care Act (ACA), beyond provider payment reductions, that are designed to improve quality and reduce unnecessary spending. These reforms include programs that bolster primary care, establish Accountable Care Organizations, provide for bundled payments, and reduce hospital readmissions. The ACA reforms should be given time to succeed before possibly destroying the current Medicare program, which works well for so many seniors.

- Extending Medicaid rebates for drugs used by beneficiaries who are dually eligible for Medicare and Medicaid.
- Directing the Secretary of Health and Human Services to negotiate prescription drug prices in Part D, which could save hundreds of billions of dollars.
- Offering a drug benefit in traditional Medicare, which would lower costs for beneficiaries and taxpayers, in part due to Medicare's lower administrative costs.
- Reducing payments to private Medicare Advantage plans to 100 percent of what it costs traditional Medicare to provide care for the same beneficiary.

Thank you again for this opportunity to submit our views on Medicare premium support proposals. As you know, Medicare is a lifeline for many seniors in our country, and we at the National Committee to Preserve Social Security and Medicare will continue to work with our members, as well as policymakers, to ensure that the program remains strong for all generations. This means opposing premium support proposals that are structured to reduce federal spending by increasing costs for Medicare beneficiaries, and supporting reforms, such as those included in the *Affordable Care Act*, that will improve both Medicare's financing and the care beneficiaries receive.



Max Richtman
President and CEO