

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Office of the Actuary

May 13, 2008

The Honorable Pete Stark
Chairman
House Ways and Means Subcommittee on Health
1135 Longworth House Office Building
Washington, DC 20515

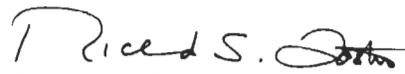
Dear Chairman Stark:

Thank you for the opportunity to testify before the House Ways and Means Subcommittee on Health regarding "The 2008 Medicare Trustees Report" on April 1, 2008.

Enclosed is the edited transcript, along with our answers for the record to the transcript questions. A similar letter also has been sent to Representatives Camp and Tubbs Jones.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,


Richard S. Foster
Chief Actuary

Enclosures

**COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HEALTH
PUBLIC HEARING
“THE 2008 MEDICARE TRUSTEES REPORT”
APRIL 1, 2008**

These are the answers for the record to be inserted into the transcript for this hearing:

Lead-in:

MR. CAMP: Well, thank you, Mr. Chairman. Mr. Foster, you mentioned that Part B premiums would be reduced by \$3 as a result of cutting Medicare Advantage plans. And, if I understood your testimony, if we completely limit Medicare Advantage for about nine million seniors, we would extend the life of the program about two years. Is that what you said?

MR. FOSTER: Yes, sir, about 18 months.

Mr. CAMP: Well, forgive me if I don't start throwing the confetti; that's not very long. Can you tell me the impact on the Part B premium from the physical payment provision in the CHAMP bill that spent \$67 billion over 10 years? And would you please tell me in your answer, how much would the Part B premium increase? There is a significant increase in Part B spending.

Mr. FOSTER: Let me check just a second to see if we have that.

Mr. CAMP: All right. Well, if you would like to get back to me in writing, I would appreciate an answer in writing.

INSERT: Page 27, line 636

Mr. FOSTER: Thank you, sir. It appears we do not have that here today so we'll send a letter to you and to the Health Subcommittee at large, transmitting that information under separate cover.

Ms. TUBBS JONES: Mr. Chairman, if you would just allow me to ask this question, and perhaps get a written response, I am interested in—in light of the fact that we have a doughnut hole in the prescription—in the Part D coverage, what's happening to the seniors out here who fall into the doughnut hole, who pay the premium and their drug costs continue—they still have to pay the drug costs? And I would like to have a written response, Mr. Foster, at some point, around that issue. I am sure my colleagues, as well, would like to know what's happening to the senior citizen doughnut hole.

INSERT: Page 49, line 1184

Mr. FOSTER: We would be happy to. As you requested, we'll send a letter to you and to the Health Subcommittee at large, transmitting that information under separate cover.

Mr. CAMP: Well, just to ask, we had sort of this discussion about the profit margins. And I do think it's important to say that Medicare plans have, on average, a four percent profit margin. But in this administrative fee—and you often—which—administration portion is the disease management, the pharmaceutical therapy, the other kinds of things that you aren't getting in traditional Medicare, as you've said in your testimony. But I do think it's important to say that the nursing homes and home health organizations, on average, have what profit margin?

INSERT: Page 64, line 1562

Mr. FOSTER: The Medicare Payment Advisory Commission (MedPAC) estimates that, in 2006, freestanding skilled nursing facilities had profit margins on their Medicare business averaging 13.1 percent of revenues. Their corresponding estimate for home health agencies was 15.4 percent. It's not straightforward to compare profit margins for health insurance plans, such as Medicare Advantage plans or private HMOs and PPOs, with profit margins for health care providers, such as nursing homes and home health agencies. We will separately provide a more comprehensive response on this issue to you and to the Health Subcommittee at large.

Mr. STARK: Okay. And, I guess my last request is for a table. In—you used to produce a table in the trustees' report that showed Medicare cost sharing as a percentage of Social Security, and now you just have a graph. And could you give us a—give us that in kind of a tabular form, as you—as has shown up in the past?

INSERT: Page 72, line 1754

Mr. FOSTER: Yes, sir. That would be no problem. We will separately provide the table to you and to the Health Subcommittee at large.