

US insurers protest planned cuts to Medicare Advantage

Kate Randall
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Private insurers are protesting planned cuts in reimbursement to Medicare Advantage plans that cover nearly 16 million US senior citizens. A report commissioned by America's Health Insurance Plans (AHIP), an industry trade group, estimates that Medicare Advantage plans could see a 5.9 percent total cut to their payments in 2015 as a result of changes proposed by Obama health officials as part of the Affordable Care Act (ACA).

Close to 50 million Americans are covered by Medicare, the government-run health insurance program for the elderly and disabled. Medicare Advantage (MA), a health insurance program originating with the passage of the Balanced Budget Act of 1997, serves as a substitute for traditional Medicare Parts A and B, which cover in-patient hospital services and payments to physicians and surgeons.

While Medicare claims payments are processed through the Centers for Medicare and Medicaid Services (CMS), Medicare Advantage is offered by commercial insurance companies and managed health care corporations. MA plans receive compensation from the federal government, but do not process claims through the CMS.

The report by consulting firm Oliver Wyman concludes that Medicare Advantage beneficiaries could pay as much as \$900 more in 2015 if the cuts proposed by the Obama administration take place. AHIP President Karen Ignagni told reporters in a call: "Many seniors have experienced fewer benefits and higher out-of-pocket cuts as a result of last year's cuts." She added, "What we're focused on is the impact on beneficiaries."

In fact, any reductions in benefits and increases in costs for seniors covered under Medicare Advantage

have come as a result of the privately run, for-profit MA plans passing on the cost of cuts to beneficiaries. While the Obama administration is well aware of this, health officials argue that savings should come through the insurance industry trimming its profits, something they know the private insurers will never do voluntarily.

The Affordable Care Act, signed into law in 2010, included cuts of \$200 billion to Medicare Advantage over 10 years, to gradually reduce subsidies paid to MA plans to bring them in line with the cost of traditional Medicare.

As with other aspects of the legislation popularly known as Obamacare, the proposed cuts to Medicare Advantage are aimed at reducing costs for government, ultimately resulting in a reduction and rationing of care for ordinary Americans. The White House cynically claims that a reduction in costs will result in better care for seniors and other sections of the US population.

Medicare is a prime target of these cuts. While big business and the Obama administration are in general agreement that these cuts must be made, in the case of Medicare Advantage the private insurers are determined that any cuts should not come at the expense of their profits.

According to the Center for Responsive Politics, the health care industry spent over \$243 million lobbying Congress and the federal government through the first six months of 2013, more than any other industry sector. Originally opposing the health care overhaul, once the health care industry came on board it has lobbied extensively to insure that the legislation was crafted in its interests.

Moves to implement cuts in Medicare Advantage reimbursements have faced an annual challenge from the insurance industry. Last year, cuts of 2.2 percent

were initially proposed for 2014. After vigorous lobbying in Congress and a paid advertising campaign, the Obama administration reversed itself and increased the reimbursement rate by 3.3 percent instead.

Many Congressional Democrats are backing the Medicare Advantage cuts with the claim that they are designed to strengthen the Medicare program overall through making payments more equal between Medicare Advantage and traditional Medicare. Defending the cuts, Senator Boxer, Democrat of California, said, “We’re just making sure that it’s not wasteful.”

Opponents of the Medicare Advantage cuts from both big business parties are putting themselves forward as the champions of the seniors enrolled in the program. Rep. Chris Collins, Republican of New York, charged that the Obama administration was cutting Medicare Advantage to fund other ACA programs. “It was obvious to me 18 months ago that the Obama administration doesn’t like Medicare Advantage.”

Senator Charles Schumer, Democrat of New York, has rounded up a bipartisan group of 40 senators to write to Medicare Administrator Marilyn Tavenner to ask that the reimbursement rates be frozen. The senators wrote that Medicare Advantage “has been a great success and should remain a competitive choice for our constituents.”

The final rules on the proposed changes to MA reimbursements are due on April 1. Insurance industry lobbyists have pledged an all-out campaign to discourage federal officials from following through on the proposed rate reductions.

“There isn’t a lot of time,” said AHIP’s Ignagni. “It’s very important to be actively engaged with the agency, with members of Congress, with leaders in the different stakeholder communities. We’re going to be very, very actively engaged on all of those fronts.”



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