

Cuts to Medicare Advantage Expected to Set Off a Chain of Blame

By John Reichard, CQ HealthBeat Editor

During a slow-moving political storm marked by what Harvard pollster Robert Blendon calls “Level Four” anger, the last thing Democratic candidates want to face in September is 11 million angry seniors.

But when seniors in “Medicare Advantage” — the popular program of private health care plans in Medicare — open their mail this fall and find out how their coverage will change next year, they won’t be happy.

The program has been a big draw because it offers extra benefits such as dental and vision care. It’s also a much cheaper way than supplemental “Medigap” plans of getting coverage for the out-of-pocket charges not picked up by traditional Medicare.

But chances are seniors soon will be staring at higher premiums, and slimmer benefits, for Medicare Advantage. They’ll no doubt be told the new health care law ([PL 111-148](#), [PL 111-152](#)) is to blame.

The reason for this is that as medical costs rise, the overhaul will at first flatten, then cut, federal payments to Medicare Advantage plans as part of an effort to finance coverage of the uninsured and allocate benefit dollars more equitably throughout the program.

The timing for Democrats couldn’t be worse — the cutting comes just as GOP candidates fill the airwaves with the message that the overhaul threatens health care for the elderly.

Changes wrought by the overhaul law in the Medicare Advantage program will bite even harder as the presidential campaign season heats up a little more than a year from now. Industry analysts predict plans will begin to announce in the fall of 2011 that they won’t stick with the program in 2012 — forcing thousands, and maybe eventually millions, of seniors to find new plans or return to traditional Medicare, with its higher out-of-pocket charges.

The cuts alone won’t shift control of either chamber of Congress. But as part of the mix of cuts that will slice \$400 billion from Medicare over the next decade, they have Democrats worried. Blendon sees so much anger at incumbents that if the elections were held within

two weeks, he says one of the two houses of Congress would flip.

Worried Democrats

From the Obama administration to Capitol Hill, Democrats worry how Medicare Advantage and other cuts will affect the votes of seniors, a key bloc in midterms since they are more likely to turn out.

Hill Democrats and Health and Human Services Secretary Kathleen Sebelius wrote letters in early June putting insurers on notice that their plan's bids for 2011 would be carefully scrutinized for premium hikes and benefit cuts. They said seniors should not suffer just because the law ends "gross overpayments" to plans.

The bigger headache for Democrats is the threat of plan withdrawals. America's Health Insurance Plans, which represents insurers in the Medicare Advantage program, hints that withdrawals will easily exceed those that followed enactment of the 1997 balanced budget law ([PL 105-33](#)), which tightened reimbursement levels. From 1999 to 2003, nearly 2.4 million people were in plans that withdrew from Medicare, according to industry estimates.

After the 2003 Medicare drug law provided more generous reimbursements, Medicare Advantage enrollment grew steadily from 4.6 million that year to 11 million now. But with close to \$200 billion in direct and indirect cuts now slated to come out of the program, enrollment could fall to as low as 7.4 million several years from now, said Medicare Actuary Richard Foster.

[Tom Price](#), R-Ga., a surgeon who holds the old House seat of former Speaker Newt Gingrich (1979-99), said Democrats will pay in the fall for undermining health care for seniors.

The withdrawals, he said, belie President Obama's assertion that seniors will be able to keep their current health plan. If the administration "can intimidate or punish individuals in any way, they will," Price said, referring to a flap last year in which HHS objected to a mailing by the insurer Humana to its Medicare Advantage enrollees warning about the impact of the overhaul. "But that won't keep the message from getting to the American people."

But if Democrats are behind those deep cuts, they also can point to independent data saying they are merely trying to correct years of payments to private plans that exceeded those to providers in traditional Medicare — no small irony since those plans were supposed to save Medicare money, not add to its spending.

And John Gorman, an industry consultant, sees plans thinning their bottom lines next year rather than really socking it to seniors. Why? As a way of holding market share while they get a better read on whether competitors will bail from the program in 2012.

Gorman also thinks the enrollment drop won't be as dramatic as Foster predicts. Even if the extra benefits provided by the plans largely disappear, they are still a good deal since they keep enrollees from having to buy a supplemental "Medigap" plan to cover a number of charges traditional Medicare doesn't cover.

In the end, insurers will take the hit more than Democrats as plans notify seniors about rising premiums or withdrawals from the market, predicts a former Medicare Advantage plan executive.

"They're going to kill the messenger," the executive says. "The messenger is going to be the insurance industry."

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