

Congress of the United States
House of Representatives
Washington, DC 20515

October 1, 2004

The Honorable Tommy Thompson
Secretary
Department of Health and Human Services
Washington, DC 20201

Dear Secretary Thompson,

We write today to express grave concern about the Government Accountability Office (GAO) findings regarding the Centers for Medicare and Medicaid Services PPO Demonstrations (GAO-04-960). We are particularly distressed that CMS illegally allowed health plans to deny benefits for services received from out-of-network providers. This most recent example of the administration's renegade attitude and wanton disregard for the law is harmful to Medicare beneficiaries and a waste of taxpayer resources.

Fortunately, less than one percent of the people eligible to sign up for a PPO plan under the demonstrations did so, thereby limiting Medicare beneficiaries' exposure to this ill-conceived scheme. The low enrollment in these plans is further proof that Medicare beneficiaries value choice of providers and facilities – which is best achieved through the traditional fee-for-service program – over choice of private health insurance plans.

In addition, despite consistent claims to the contrary, out-of-pocket costs for beneficiaries enrolled in the PPO demonstrations were actually higher than they would have been under just about any other Medicare option. And, while the cost of the demonstrations is not final yet, estimates are that taxpayers will spend up to \$750 more per enrollee per month for the shared-risk arrangements between CMS and the plans than they would if the enrollee was in traditional Medicare. Interestingly, this risk-sharing is also one of the primary tenets of a so-called “premium support” program and of the new private drug plans that will arise out of Part D.

Findings from GAO's evaluation of the CMS PPO demonstrations refute every argument in favor of expanding PPO plans in Medicare. And they certainly call into question the wisdom of proceeding with section 241, the Comparative Cost Adjustment Program of the Medicare Modernization Act. It is unfortunate that Congress so hastily embraced the Bush Administration's proposal to adopt the PPO as a model plan for the Medicare Advantage program last year. For our part, we will do what we can to see that these plans are not perpetuated in Medicare.

The Honorable Tommy Thompson
Page Two
October 1, 2004

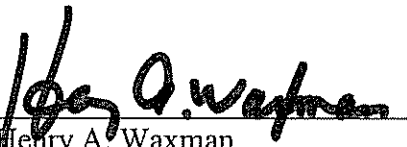
We strongly recommend that you immediately cease the PPO demonstrations and reimburse both the Medicare beneficiaries and state Medicaid programs that were overcharged as a result of plan abuse. In the event that you decide to continue the demonstrations, please submit to us your plan to ensure that Medicare beneficiaries are not denied their entitled benefits, and that taxpayer resources are not diverted wastefully away from the Trust Funds.


We look forward to your timely response to these issues.

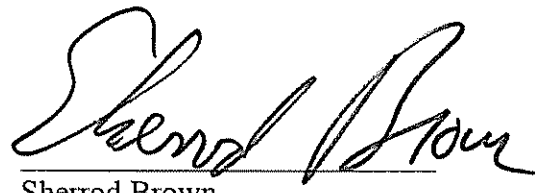
Sincerely,


Charles B. Rangel
Ranking Democrat
Committee on Ways and Means


John D. Dingell
Ranking Democrat
Committee on Energy and Commerce


Henry A. Waxman
Ranking Democrat
Committee on Government Reform


Pete Stark
Ranking Democrat
Subcommittee on Health
Committee on Ways and Means


Sherrod Brown
Ranking Democrat
Subcommittee on Health
Committee on Energy and Commerce