



Committee on Ways and Means

Representative Charles B. Rangel, Chairman

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**PRIVATE FEE-FOR-SERVICE PROVISIONS IN THE BAUCUS BILL:
A MODEST APPROACH TO CURTAILING ABUSE**

Upon introduction of S. 3101, the “Medicare Improvements for Patients and Providers Act of 2008”, the Bush Administration issued a “Statement of Administration Policy” (SAP) that attacked the bill on a number of levels, but in particular their statement focused on the impact the bill would have on payments to private Medicare Advantage plans.

“The Administration strongly opposes any policy that would irresponsibly reduce payments for MA plans or target a subset of those plans, such as private fee-for-service plans, for fundamental restructuring.” (SAP, 6/12/2008)

- Medicare Advantage overpayments are recognized and documented by a wide variety of non-partisan analysts – including the Administration’s own Medicare Actuary, the Medicare Payment Advisory Commission, and the Government Accountability Office. The only “irresponsible” action at this point is protecting Medicare Advantage overpayments. CBO estimates that permitting the overpayments to continue without curbs will cost taxpayers more than \$150 billion/10 years. Furthermore, the CMS Chief Actuary estimates that MA overpayments reduce solvency of the Medicare Trust Fund by 18 months. It is ironic that the Administration SAP also decries small beneficiary investments that cost far less over time than these overpayments, but would help far more people.
- Rather than tackle the payment structure, S. 3101 proposes changes to the PFFS plan structure in direct response to complaints from insurance commissioners, consumer advocates, providers and enrollees who have highlighted significant confusion about the PFFS plan design and problems with payments. Under S. 3101, PFFS plans would be required to contract with providers in certain areas to improve accountability and transparency for both providers and beneficiaries. Payments to PFFS plans would not change as a result of S. 3101.

“Such policies would risk reducing additional benefits for millions of plan enrollees who have chosen to have their care delivered, through this mechanism, including those in rural areas.” (SAP, 6/12/2008)

- First, the Baucus bill doesn’t affect PFFS in rural areas. By limiting its changes just to plans operating where there are two or more other options, its provisions affect urban and suburban areas. It protects plans in rural areas when there is no justification for maintaining PFFS at all.
- Second, the argument that PFFS plans are needed to preserve “choice” in rural areas is overblown. Even if PFFS were eliminated, 99 percent of beneficiaries would still have MA options (MedPAC March 2008 report). Only 6 percent of rural beneficiaries are in PFFS plans¹. Furthermore, rural providers have many complaints about PFFS payments and the havoc these plans have wreaked on their community.
- Most importantly, the savings from the S. 3101 come largely from preventing future PFFS enrollment in urban and suburban areas where most beneficiaries can pick from dozens of other MA options if beneficiaries want to enroll in Medicare Advantage.

The Baucus bill is a modest approach to addressing PFFS. PFFS growth will continue under this proposal. HHS’ veto threat shows that the Administration cares more about protecting the insurance industry and their ideological commitment to privatizing Medicare than fair reimbursement for physicians and improving Medicare.

¹ <http://www.kff.org/medicare/upload/7775.pdf>