

Chairman Dingell at the Subcommittee on Oversight and Investigations hearing entitled "Predatory Sales Practices in Medicare Advantage"

Statement of Congressman John D. Dingell, Chairman
Committee on Energy and Commerce

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS HEARING ENTITLED
"PREDATORY SALES PRACTICES IN MEDICARE ADVANTAGE"
June 26, 2007

Mr. Chairman, thank you for holding this important hearing.

I'll be blunt. The Medicare Advantage marketing practices that have come to the attention of this Committee are disgraceful.

But frankly, they come as no surprise to those of us who have long questioned the structure of the Medicare Advantage program.

Why are Medicare payments for Medicare Advantage beneficiaries, on average, 12 to 50 percent higher than what Medicare pays for beneficiaries enrolled in traditional Medicare?

Why should the vast majority of traditional Medicare beneficiaries pay higher monthly premiums to subsidize Medicare Advantage enrollees?

Wasn't privatization supposed to help contain costs and allow more efficient delivery of quality health care?

In my view, Medicare Advantage isn't containing costs and there's no evidence that it is providing value to beneficiaries commensurate with its greater cost. On the contrary, as we'll hear today, the very structure of Medicare Advantage creates conditions ripe for swindling the elderly and disabled. The real beneficiaries of this program are the insurance companies, which have profited handsomely. Humana will reportedly earn 66 percent of its net income from sales of Medicare Advantage products this year.

Should our Medicare Trust Fund be subsidizing the insurance industry? Clearly, the Administration thinks so—the unprecedented overpayments to the insurance industry are part of the Administration's agenda to privatize the Medicare system. But so far, privatization has neither saved money, nor brought verifiable efficiencies. It has created:

- Deep confusion over a bewildering array of plans; and

- Armies of sales agents competing for commissions, cash prizes, and trips to Las Vegas for those who sign up the most seniors in the shortest time.

The industry may tell us they need time to work out kinks in the provision of more cost effective, coordinated care. But they have had decades to do this.

Private managed care options to traditional Medicare have been around almost since the creation of Medicare. With the introduction of Medicare Plus Choice in 1997, Medicare health maintenance organizations (HMOs) and preferred provider organizations (PPOs) really took off. In order to encourage cost containment, private insurers were reimbursed between 95 percent and 102 percent of the cost of traditional Medicare. A number of the better run Medicare managed care plans were able to offer additional benefits even at these lower reimbursements. But after an initial surge in growth, many plans started withdrawing from the market, citing inadequate payments from the government.

The Administration responded in 2003 by throwing more money at the insurers to prime the Medicare privatization pump. Insurers responded to the lure of big profits by launching a dizzying number and variety of Medicare Advantage plans.

In addition to draining the Medicare Trust Fund more quickly, overpayments to the insurance industry serve as a perverse incentive for insurance companies and agents to aggressively market their products without regard to seniors' health and financial well-being.

This Committee has heard evidence of shameful sales practices by agents:

• Brokers signing up people with Alzheimer's and psychiatric disorders;

• Brokers forging signatures and signing up dead people; and

• Brokers telling people that Medicare sent them that Medicare is being eliminated, and they must sign up or lose their health coverage.

I thank our witnesses today for appearing before us to share with us some of the glaring problems with Medicare Advantage and possible solutions.

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