

United States House of Representatives
Committee on Energy and Commerce, Subcommittee on Health
“Strengthening Medicare for Seniors: Understanding
The Challenges of Traditional Medicare’s Benefit Design”
Thursday, April 11, 2013

Mr. Chairman and Members of the Subcommittee:

I am Max Richtman, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare (NCPSSM), and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization devoted to preserving and promoting Social Security, Medicare and Medicaid. As you know, these programs are the foundation of financial and health security for older Americans. Today, I will address our concerns about proposals to restructure Medicare’s benefits that would reduce federal spending by requiring beneficiaries to pay more.

Medicare beneficiaries have modest incomes and they cannot afford higher out-of-pocket costs for the health care services they need to treat their multiple chronic conditions and cognitive/mental impairments. People from communities of color have a higher risk than whites for certain chronic conditions such as diabetes. According to the Kaiser Family Foundation, over half of Medicare beneficiaries had incomes of \$22,500 or less in 2012, lower than 200 percent of the federal poverty level, and their savings are very modest. Two-thirds of African American and Hispanic beneficiaries have incomes below this amount, and they make up a large share of beneficiaries who have incomes below 100 percent of the federal poverty level. On average, Medicare households spend 15 percent of their income on health care, which is three times more than non-Medicare households spend.

Medicare could be improved for beneficiaries by simplifying its cost-sharing requirements and adding a catastrophic cap. The current Medicare fee-for-service (FFS) program is complicated because there are different deductibles, copayments, and coinsurance for different types of services. In many cases the cost-sharing is quite high, and Medicare does not have a limit – a so-called "catastrophic cap" – on annual out-of-pocket spending, which is found in most large employer plans. Many Medicare beneficiaries are paying premiums for Medigap insurance or retiree health benefits to cover Medicare deductibles, coinsurance and copayments. They are also paying a large share of their incomes for health care services not covered by Medicare such as vision, dental and eye care as well as long-term care.

However, recent proposals to reform Medicare's benefit design -- by combining the Part A and Part B deductible, expanding coinsurance for services such as home health care, limiting Medigap coverage or making it more costly, and providing a catastrophic cap on spending -- would raise costs for most beneficiaries. This is because they are intended to reduce federal spending by shifting costs to beneficiaries. Supporters of these proposals believe people will make wiser choices about using health care services, or will seek more high-value services, if

they have to pay more of the cost. We oppose these proposals because we believe additional costs could lead many seniors to forego necessary care, which could lead to more serious health conditions and higher costs down the road. Also, once a person seeks care, it is physicians and other health care providers who make the decisions about the care, tests and other services they receive.

Medicare beneficiaries are already paying a great deal for their health care, and many cannot afford to pay more. The National Committee to Preserve Social Security and Medicare believes we can strengthen Medicare's financing and improve the quality of care provided without adversely affecting beneficiaries. Specifically, we support:

- Building on the Affordable Care Act (ACA). Savings in the ACA are slowing Medicare's per capita growth and have extended the solvency of the Medicare Part A Trust Fund. The ACA also includes provisions leading to changes in the way care is delivered and paid for that improve quality and reduce costs. We support efforts to expand these improvements, including better care coordination, reforms to fee-for-service payments, and enhanced support for primary care providers.
- Requiring Part D drug rebates and allowing the federal government to negotiate prescription drug prices. The Congressional Budget Office (CBO) has estimated savings of \$137 billion over 10 years if drug manufacturers were required to provide rebates for drugs used by beneficiaries who are dually eligible for Medicare and Medicaid as they were required to do before passage of the Medicare Modernization Act.
- Improving initiatives to prevent, detect and recover improper payments, including fraud, waste and abuse.

Thank you again for this opportunity to submit our views on proposals to restructure the current Medicare benefit design and to improve the Medicare program.