

Washington Post
August 21, 2007
Editorial

Undue Advantage; The House Was Right To Scale Back The Insurance Industry's Subsidies For Seniors

KAREN IGNAGNI, chief lobbyist for the health insurance industry, had an important point. Testifying before Congress in 1999, Ms. Ignagni argued that private insurance plans offering coverage for seniors ought to operate on a "level playing field" with regular fee-for-service Medicare, under which doctors are reimbursed directly by Medicare. Back then, the private plans were being paid less than what regular Medicare providers were making. Ms. Ignagni decried what she called the "fairness gap" and argued that the private plans "should not receive disproportionately low government payments."

Times have changed. Instead of being paid less than private providers on the theory that they can operate more efficiently, such plans, now known as Medicare Advantage, are being paid on average 12 percent more. And Ms. Ignagni and her group, now called America's Health Insurance Plans, are lobbying furiously to keep that, well, advantage.

Some of the money is plowed back into extra benefits to attract more seniors into the plans, and the lure is working: Close to one in five are now enrolled in private plans, which range from HMOs to networks of preferred providers to the most outrageous and expensive arrangement of all, private fee-for-service plans, which cost a whopping 19 percent more than regular Medicare.

The extra spending -- more than \$50 billion over the next five years -- makes an already financially unstable Medicare program more expensive. It also unfairly raises premium costs for all seniors, who subsidize the extra benefits of those who sign up for managed-care plans.

A bill approved by the House this month would phase out the excess payments to Medicare Advantage plans and devote the savings to the State Children's Health Insurance Program, which provides coverage for children in low-income families that earn too much to qualify for Medicaid. The House would also use some of the savings to help pay for changes in the Medicare program, including extra help for low-income seniors.

Defenders of the existing payment structure argue that while Medicare Advantage plans may cost the government more, the 12 percent differential is inflated, and that flattening the rates would drive the plans out of existence. They argue that the plans, even if there is a higher cost to the government, lower overall health-care spending by providing more preventive care. They also say that the plans provide important and otherwise unaffordable benefits to low-income seniors.

We agree that private plans can play an important and useful role in delivering good medical care to seniors. But if the problem is providing extra help to low-income seniors, there are more efficient means of doing so than overpaying Medicare Advantage plans for every senior, needy or not. And we don't understand why the level playing field the private plans once so avidly sought is now not good enough.