

Farewell, Medicare Advantage

Democrats strike up the funeral parade for private insurance options.

The White House is launching its latest Willy Loman campaign to resell ObamaCare, helped by \$125 million that unions and other interest groups say they'll spend to make Americans love their new entitlement. Seniors in particular should curb their enthusiasm.

"First and foremost," President Obama told seniors on Tuesday in Wheaton, Maryland, "what you need to know is that the guaranteed Medicare benefits that you've earned will not change, regardless of whether you receive them through Medicare or Medicare Advantage." First and foremost, nothing about that sentence is true.

Advantage gives almost one of four seniors private insurance options, and Democrats are about to cut its funding by some \$136 billion over the next decade even as health costs rise. The Congressional Budget Office says these cuts will cause enrollment to drop by 35%, the Administration's own Medicare actuaries predict 50%, and both outfits take for granted that benefits will also decline.

The President knows this, so he and his fellow Democrats are gearing up to blame these cuts on . . . insurers, rather than on their own policies. In a letter last week, Democratic Congressional leaders Henry Waxman, Pete Stark, Max Baucus and Jay Rockefeller demanded that the Health and Human Services Department reject "any effort" by insurers to "reduce benefits next year."

Secretary Kathleen Sebelius followed up by warning insurers to "focus on price and quality rather than asking seniors who need health care the most to pay more for it." The Medicare regulator, CMS, is also reshuffling staff so Advantage is run by actively hostile bureaucrats.

The politics here is that Democrats loathe Medicare Advantage because it sanctions the private choices that might eventually liberate the U.S. health market from government price controls. They also wanted to raid Advantage to finance their new subsidies. But now they desperately want to dodge any near-term blame when seniors who use Advantage start to lose its benefits. Ergo, blame insurers first.

All of this is a replay of what Democrats did in the 1990s to a similar program called Medicare+Choice, which was created in 1997 but starved of funds by the Clinton Administration. "Dozens of HMOs Quit Medicare, Patients Face Upheaval," ran one Washington Post headline in 1998. The insurers served as political spear-catchers then too.

The larger debate is about how best to organize the health-care market. In an important new paper for the National Bureau of Economic Research, David Cutler explores entrepreneurial spirits in health care, or rather their peculiar absence in a \$2.6 trillion industry. The Harvard economist notes annual productivity growth of minus-0.2 in the official data—"almost surely an underestimate"—and asks why there has been so little organizational innovation akin to Wal-Mart's supply-chain or Toyota's quality control.

Mr. Cutler, a close White House ally, cites many dysfunctional incentives, though one he singles out is "the stagnant compensation system of public insurance plans." In most markets, he observes, "higher quality is associated with higher prices. That is not true in medical care, however, largely because of the public sector." Original Medicare—about 25% of hospital and physician income—pays fixed fees to any provider a patient visits, regardless of the quality of the services rendered. "A less good job earns as much as a better job," Mr. Cutler writes.

Mr. Cutler is convinced that Medicare's dysfunctions will end with ObamaCare's multiple pilot programs—even though the current system was designed by the last generation of technocrats to solve the problems created by the previous generation. Such people have faith in ObamaCare on the theory that they are the ones they've been waiting for.

Yet no planner had to tell Wal-Mart how to revolutionize the retail industry. In the same way, Advantage offers the flexibility necessary for decentralized innovation, market pricing and competition that might rationalize the entitlement state. The program isn't a miracle worker, and some plans are far better than others. According to the Medicare Payment Advisory Commission, the Advantage HMOs that serve 15% of all seniors in Medicare cost on average two percentage points less for the same benefits than the traditional program, without fiat pricing.

Using government data, the insurer trade group AHIP estimates that Advantage beneficiaries in California spend 30% fewer days in the hospital than fee for service, 23% fewer days in Nevada. These successes and others have come about because Advantage allowed insurers and providers to collaborate, pay for value and coordinate care.

These successes are threatening to politicians because they are a model for true Medicare reform, which would reduce the health-care powers that Congress has exercised for nearly a half-century and let patients decide. This terror explains why Democrats are so intent on killing Medicare Advantage, and on blaming someone else for destroying a program that millions of seniors prefer.

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Allchoice Opinion – This is not the first time Obama has lied to senior citizens or any other citizens for that matter. He and the Democrats are desperate right now to not lose votes in November, so they are pulling out all the stops (albeit lies) to prevent a wholesale route.

The reality is that low income seniors will not have a low cost Medicare Advantage plan to choose in the future. Obama and the Democrats fully know that approximately 50% of all seniors will end up in Medicaid. With Medicaid they will have little choice of doctor and hospital. His promise "If you like your doctor you can keep them; If you like your health insurance plan you can keep it," was a lie from the beginning and they knew it.

Not only will low income seniors be left with no choices, the remaining seniors will be faced with rapidly increasing costs just as everyone will. We only need to look to Massachusetts with Romneycare to see where we are going. The remaining insurance companies in MA requested an increase and were denied. Their choice is to close up or go bankrupt. The legislators decided to add another law that will force doctors and hospitals to charge less or pay a hefty tax. The

tax will be used to subsidize the non profit insurance companies so they will not raise premiums. This is a crazy vicious cycle.

Doctors will leave and hospitals will close. Read more here;

<http://market-ticker.denninger.net/categories/16-Health-Reform>