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TO: Federation Negotiating Teams and Retirees

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SUBJECT: **Administration proposal on Retiree Medical Benefits**

**Executive Summary: The CCP administration is proposing to replace our current retiree medical benefits with a Medicare Advantage plan.** Please read the following to learn why a Medicare Advantage plan would not protect our health the way our current coverage does. We will be calling on you in the near future to help us let the administration know our strong opposition to this change.

**A Medicare Advantage plan may appear to be a better, and less expensive, plan than traditional Medicare with Independence Blue Cross Medigap Plan F, which retirees have now.** With Medicare Advantage you may get a few dollars off on eye glasses, hearing exams, and gym membership.

**In fact, Medicare Advantage plans save money by denying care. Medicare Advantage plans profit investors at the expense of patients and the result is lower quality medical care.**

1. In traditional Medicare there is a direct relationship between the patient and Medicare. There is no intermediary. **A Medicare Advantage plan would add a profit-driven intermediary** (Independence Blue Cross, CVS/Aetna, Humana, etc.), **which would insert itself between the patient and the provider** (doctor, hospital, prescription drug plan) **and would control when care can be given.** In addition, **accepting a Medicare Advantage plan means substituting it for Medigap Plan F.** (NOTE: Independence Blue Cross Medigap Plan F pays the 20% that Medicare does not cover.)
  - a. **Medicare Advantage, a profit-driven company, saves money by denying care. How does this happen?**
    - (1) The patient needs more prior authorizations for approval of a test or procedure.
    - (2) You may no longer be able to see your own doctors or gain access to the hospital of your choice. There are fewer doctors and hospitals in the Medicare Advantage network.
    - (3) Fewer prescription drugs are on the formulary (list of approved drugs).
  - b. The result: appeals take time and, meanwhile, care is denied, sometimes until the patient dies.
  - c. **MEDICARE ADVANTAGE FREQUENTLY DENIES CLAIMS.** *Forum*, "In 2022, According to a March 1, 2024, article in *JAMA Health* researchers using data from a large insurer's claims showed that one-third of MA beneficiaries experienced a denial for 1 or more services each year, with annual denials increasing by 15% over a 5-year period. Notably, nearly 15% of the 5.6 million denials – a full \$150 million in denied spending – was attributed to MA policies that were more restrictive than traditional Medicare's coverage rules. These data suggest that MA plans sometimes deny care that would have been approved by traditional Medicare. The Office of Inspector General (OIG) corroborated this concern,

**finding that 13% of coverage denials by MA plans met coverage under traditional Medicare.”**

- 2. Medicare Advantage plans are especially bad for those 65 and over, who often have serious health problems.**
  - a. When your doctor sends you to a specialist, that doctor may not be in the network.
  - b. When your doctor sends you for tests, Medicare Advantage staff can deny approval.
  - c. Prescription drugs your doctor recommends may not be on the formulary (list of approved drugs).
  - d. Delays – weeks or months – can result.
- 3. What if you decide to drop the Medicare Advantage plan? Can you return to traditional Medicare with Medigap Plan F?**
  - a. Medicare will accept all eligible people.
  - b. But Medigap plans, which pay the 20% of the cost that Medicare does not cover, are allowed to deny coverage if you have a pre-existing condition.**
  - c. You may not be able to afford the 20% that Medicare does not pay for, so you don’t receive the care you need.
- 4. Because hospitals and doctors are aware that Medicare Advantage plans deny coverage, some hospitals and doctors are declining to accept patients who have Medicare Advantage plans.**
  - a. When Medicare Advantage plans refuse to approve the care recommended by hospitals and doctors, conflicts result.
  - b. Examples of hospitals that do not accept Medicare Advantage plans: Scripps Health in San Diego; others in Ohio, VA, OR, MO, OK, SD [Jacobin, October 2023].** A November 21, 2023, article in *Becker’s Hospital Review* reports, “The new data [on increases in MA denials] coincides with recent reporting from *Becker’s* about hospitals across the country that have ended some or all Medicare Advantage contracts. The reasons behind contract terminations vary by system and by payer offering the plan. Some systems have cited steep losses amid excessive prior authorization denial rates and slow payments from insurers. Others have noted that most MA carriers have faced allegations of billing fraud from the federal government and are being probed by lawmakers over their high denial rates. **‘It’s become a game of delay, deny, and not pay,’** Chris Van Gorder, president and CEO of San Diego-based Scripps Health, told *Becker’s* in September.”
- 5. Medicare Advantage’s methods of obtaining reimbursements from traditional Medicare constitute a “\$140 billion scam” per year, according to regulators [Jacobin, October 2023].** As of January 30, 2023, the Biden administration said it expects to collect as much as \$4.7 billion from its audits of overpayments to Medicare Advantage plans covering a 10-year period [*New York Times*, January 30, 2023].
  - a. Medicare Advantage overbills Medicare by saying patients are sicker than they are (“upcoding”).

- b. Medicare Advantage obtains additional funding for riskier, sicker patients (it adds diagnoses to get extra payments).
- c. Medicare reimburses Medicare Advantage plans at the flat Medicare rate – based on Medicare’s comprehensive coverage – which is better coverage than Medicare Advantage provides.
- d. **All this funding going from Medicare to Medicare Advantage plans is undermining the Medicare Trust Fund.**
  - (1) “These private [Medicare Advantage plans] spend 15 – 25% less than traditional Medicare on their enrollees’ medical services and are paid 23% more. This is a classic case of greedy corporations stealing from taxpayers and people with Medicare,” according to Michael Phelan in *Social Security Works*, February 21, 2024.
  - (2) Medicare Advantage companies are earning great profits.
  - (3) Also shareholders of the private insurance companies that operate Medicare Advantage plans are earning great amounts in dividends.

**6. Almost half of those on Medicare are now in a Medicare Advantage plan. They are being fooled by deceptive promises.**

- a. Medicare Advantage plans have been, and are being, criticized for false advertising.
- b. **In December 17, 2022, the *New York Times* reported that there had been “widespread criticism about the deceptive tactics some brokers and insurers had used to entice people to switch plans. In November [2022], Senate Democrats issued a scathing report detailing some of the worst practices, including ads that appeared to represent federal agencies and ubiquitous television commercials featuring celebrities.”**

SOURCES:

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