
It's Too Late for 'Medicare for All'

By Kerry Pechter Thu, Oct 24, 2019

Medicare Advantage plans, which offer zero premium coverage for those 65 and over, are here to stay. But when 'the product is free, you're the product.' Pairing traditional Medicare with a Medigap plan can be smarter.



Medicare for All ain't gonna happen.

Even as Democratic presidential candidates chat up the possibility of extending a single-payer, publicly operated, no-deductible, zero co-pay version of Medicare to all Americans regardless of age, today's elderly-only Medicare resembles such a program less and less.

Instead, Medicare has been evolving into the multi-payer, privately operated high-deductible program known as Medicare Advantage. Already, about a third of Medicare-eligible seniors, or 22 million people, use private HMO- or PPO-style Medicare Advantage plans instead of traditional fee-for-service Medicare.

By 2029, an estimated 42% to 47% of seniors are expected to use Medicare Advantage plans instead of traditional Medicare alone or traditional Medicare with a Medigap supplement. Your father's Medicare isn't growing; it's disappearing.

"The Medicare of tomorrow could look much different than it does today—more like a marketplace of private plans, with a backup public plan, and less like a national insurance program," [wrote](#) health economists Patricia Neuman and Gretchen Jacobson in *The New England Journal of Medicine* a year ago. "This may or may not be the program that people envision when they talk about Medicare for All."

In short, the government has been steadily outsourcing Medicare to private health insurance companies for more than 15 years, creating a massive, federally subsidized industry so profitable that it attracts more entrants every year.

Medicare today pays more than \$200 billion a year—not as reimbursements for services, but in advance, as capitation payments—to Medicare Advantage providers like Humana and United Healthcare, plus an estimated \$6 billion in performance bonuses. That transfer is

projected to reach \$580 billion in 10 years, according to Neuman and Jacobson.

Medicare is a single-payer plan today, but it's biggest payment is to Medicare Advantage. In their last debate, as Elizabeth Warren and Bernie Sanders described their ideas for taking plans for making Medicare more purely public, President Trump was taking steps to make it more market-driven. His October 3 [executive order](#) calls for an analysis of ways "to inject market pricing into Medicare FFS reimbursement."

Financial advisers need to be aware of all this, because they're in a position to save their older clients a lot of money by steering them to the right kind of coverage. Medicare Advantage plans, with their low premiums but high deductibles, can be penny-wise but pound-foolish. Traditional Medicare plus a Medigap insurance plan could save them a lot of grief and expense in the long run.

At first glance, Medicare Advantage plans look irresistible to many 65-year-olds. The convenience of one-stop shopping for medical, drug, vision and dental coverage appeals to people accustomed to corporate health care benefits. The zero monthly premium options are alluring to people with low incomes. Plans can differentiate themselves by offering freebies that, as of 2020, can include non-medical services like home-delivered meals.

Often, in any given locality, the same familiar companies that provide corporate and individual health insurance also offer Medicare Advantage plans, and they heavily promote them every fall during the Medicare re-enrollment period, when people can switch plans. Individual agents also sell Medicare Advantage plans, attracted by \$510-per-enrollee commissions.

"If I write a MAPD [Medicare Advantage plus drug] contract I get \$500, and if I write a Medigap policy I get \$250," said Joanne Giardini-Russell, founder of Boomer Health Group near Lansing, Michigan. "This is what agents are pushing, and there's often no mention of the Medigap option."

But there are clawbacks, and some are irreversible. If your client gets sick, out-of-pocket costs can mount up. If the client has a diagnosis of cancer, for instance, the co-pays can mean maximum annual expenses of \$6,700 (the current Medicare Advantage cap for in-network care) or \$10,000 (the maximum for PPO plans), according to [65incorporated.com](#). Drug expenses may drive the cost higher.

At that point, he or she will have a pre-existing condition and either won't qualify for a Medigap plan at an attractive price, or not at all. Also, Medicare Advantage patients may

face the frustrations of utilization review, prior authorization and referral requirements, higher out-of-network charges, and unforeseeable changes in coverage from year to year.

Initially, Medigap plans aren't cheap. The monthly premiums range from under \$50 to over \$200, depending on medical costs in your client's state of residence. (This is on top of the standard monthly Medicare premium of \$135 or more, depending on income, which may come out of your clients' Social Security checks.) Nor do they offer one-stop shopping. Drug, vision and dental policies typically have to be purchased separately. (As of Jan. 1, 2020, Medigap plans will no longer cover the Medicare Part B deductible. See Medicare [handbook](#) for 2020.)

But Medigap plans, as a supplement to traditional Medicare, make life simpler and can save money later in life, when medical care becomes more frequent and more serious. Expenses are predictable, with few or no co-pays or deductibles. Medigap policyholders face unrestricted choice of physicians (among those who accept Medicare). As long as they sign up for Medigap plan *when they first sign up for Medicare* at age 65 or soon after, they can't be refused coverage or charged higher premiums, even with a pre-existing condition. To look for a Medigap plan, click [here](#).

Unfortunately, the future of Medicare is now caught between opposing political forces. Sanders and Warren are pulling for expansion of an all-public Medicare program for all Americans. Republicans are pulling for a more market-driven system. Just as no one is quite sure yet how the Democrats' Medicare for All would work, no one I spoke to understood President Trump's October 3 executive order—especially the part that suggests letting Medicare Advantage providers set their own reimbursement rates.

"The section of the executive order about commercial rates was a little surprising," Gretchen Jacobson told *RIJ*. "Was it to tie traditional Medicare rates to market values, or was it to lower costs?"

If Democrats ever control all three branches of the federal government, they might fulfill the Sanders-Warren vision of reversing the outsourcing of Medicare to Medicare Advantage providers.

But no one expects that, just as no one who spoke with *RIJ* believed that the politically powerful Medicare Advantage genie can be coaxed or forced back into its bottle. If anything, it's on track to replace traditional Medicare entirely.