

United States Senate

WASHINGTON, DC 20510

September 24, 2010

Via Electronic Transmission

Mr. Richard S. Foster
Chief Actuary
Department of Health and Human Services
7500 Security Boulevard, Mail Stop N3-01-21
Baltimore, Maryland 21244-1850

Dear Mr. Foster:

As members of the Senate Committee on Finance, we have a responsibility to conduct oversight of the Medicare Advantage (MA) program -- a program that currently allows approximately 11 million Medicare beneficiaries to receive their Medicare benefits from private plans rather than from the traditional fee-for-service program.

The health reform law made significant changes to the Medicare Advantage program that will result in fewer choices and reduced benefits for current and future enrollees. While countless promises have been made by supporters of the new law about how people will be able to keep their current plans and existing benefits, your own analysis predicts that the \$145 billion in direct cuts to Medicare Advantage will:

Generally reduce MA rebates to plans and thereby result in less generous benefit packages ... in 2017, when the MA provisions will be fully phased in, enrollment in MA plans will be lower by about 50 percent (from its projected level of 14.8 million under prior law to 7.4 million under the new law).ⁱ

This analysis indicates that not only will these severe cuts reduce future growth in the program, but there will be approximately 3 million fewer people in the program in 2017 compared to current beneficiary enrollment. History has shown that deep cuts will force some health plans to reduce service areas and reevaluate their participation in the Medicare Advantage program.

Additionally, even in areas where plans continue to participate, seniors will face higher out-of-pocket costs and reduced benefits as a result of the new law. According to the Congressional Budget Office's (CBO) analysis, rebates for additional benefits, including disease management programs, vision and dental care, and reduced cost-sharing will be cut by 50 percent over the next ten years.ⁱⁱ The recently released Medicare Trustee's Report confirms this analysis by noting that the new health reform bill:

Reduces Medicare payments to private plans, which will result in less-generous plan benefit packages and/or higher premiums.ⁱⁱⁱ

Recent polls have shown that there is still a lot of uncertainty and confusion about the health reform law, especially among seniors. This is not surprising given the contradictions between the promises made by supporters of the new law and the analyses mentioned above by your office, the Medicare Trustees and CBO. Therefore, in order to ensure that seniors are fully aware of how the health reform law will affect current and future Medicare Advantage enrollees, we request the Office of the Actuary (OACT) provide the following information:

1. Please provide copies of any and all actuarial studies or other materials prepared internally or by any third party at the request of OACT related to the health reform law's impact on Medicare Advantage.
2. Your office estimated a 50 percent reduction in MA enrollment by 2017 as a result of the new law. Please provide further analysis estimating how much of this reduction will be the result of contract terminations and service area cutbacks.
 - a) Please provide an estimate of access to Medicare Advantage plans and beneficiary choices in rural versus urban areas as a result of the changes in the new health reform law.
3. In your analysis you note that the health reform law will result in "less generous [Medicare Advantage] benefit packages." Please provide an estimate of how much less Medicare Advantage plans will be able to spend per member per month on reduced cost-sharing and extra benefits.

We request that you provide this information no later than October 8, 2010. In cooperating with this request, please note that no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible.

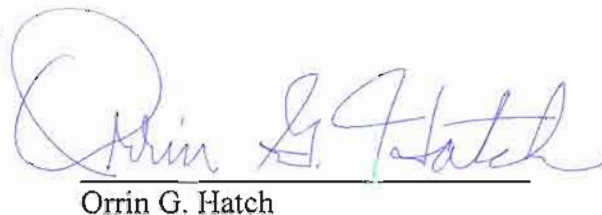
Congress has a responsibility to identify ways to improve the Medicare Advantage program and create more value for taxpayers. However, any changes should be done in an open and transparent way so that all Medicare beneficiaries fully understand how those reforms will impact them. While it is unfortunate that this information will come to light after enactment, by providing the requested material Medicare beneficiaries across the country, will better understand how health reform will impact millions of current and future Medicare Advantage enrollees.

Thank you for your prompt attention to this important matter. Should you have any questions regarding this letter, please contact Andrew McKechnie of Senator Grassley's staff. All formal correspondence should be sent electronically in PDF format to Kevin_Courtois@finance-rep.senate.gov.

Sincerely,



Charles E. Grassley



Orrin G. Hatch



Jon Kyl



Mike Crapo

ⁱ OACT Memorandum from Richard Foster, April 22, 2010

ⁱⁱ CBO Memorandum, March 19, 2010

ⁱⁱⁱ 2010 Annual Report of the Boards of Trustees of the federal hospital insurance and federal supplementary medical insurance trust funds