United States Senate
Committee on Finance

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Opening Statement of Sen. Chuck Grassley
Senate Finance Committee Hearing,
"An Examination of the Medicare Advantage Program"
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I want to thank Senator Baucus for holding today's hearing. Health plans have served Medicare beneficiaries for a long time – going all the way back to the seventies. But until not long ago, only beneficiaries in urban areas had health plan choices. I often heard from Medicare beneficiaries in my home state who would ask, "How come I don't have the same types of choices that beneficiaries in Florida or New York or Pennsylvania have?" They would ask, "Why can't I have a choice that would give me additional benefits or lower my cost sharing?" I'm sure that other members of the Committee heard the same from beneficiaries in their states.

In large part, low payments were the primary reason that choice was either limited or non-existent in certain parts of the country. These payments, as we all know, are set on a county by county basis. A decade ago, before the Balanced Budget Act of 1997, the highest payment county was more than three times greater than the lowest payment county. Beginning with the BBA, Congress took a number of actions – actions that had support from members on both sides of the aisle – to reduce that disparity in payments and to promote the availability of health plans choices for beneficiaries.

When Senator Baucus and I were working on the Medicare law, we received a letter signed by eighteen members of the Senate – both Republicans and Democrats – who wanted us to work to take steps to improve payments. The MMA included those provisions as part of the Medicare Advantage program. I would ask that this letter to the conferees be inserted into the record at this point.

And today, beneficiaries across the nation have health plan choices. Beneficiaries can choose among plans that provide additional preventive benefits, such as cancer screenings and physical exams. Beneficiaries can choose a plan that lowers their cost sharing compared to fee-for-service, and they can choose plans that have a catastrophic cap on their out of pocket spending. And just to be clear, there's no catastrophic cap in fee-for-service Medicare. So that means that beneficiaries in traditional Medicare face potentially unlimited liability for their health care costs.

According to CMS, the average value of these additional benefits is eighty-six dollars a month. Many plans offer these additional benefits for no additional premium or for a small additional premium.
For a beneficiary living on a fixed income, that protection from catastrophic costs can bring great

peace of mind.

These and other facts about the MA program are laid out clearly in a document entitled, "The Facts: Medicare Advantage" prepared by the Health Policy Consensus Group. I would ask that this document be inserted into the hearing record at this point as well.

Studies also have shown that in many cases, MA plans outperform traditional Medicare on a number of quality measures including the delivery of preventive services such as immunizations. And during deliberation on the MMA, there was a lot of interest in trying to promote better coordination of beneficiaries' care.

Medicare Advantage plans have this capacity. Plans have special programs for beneficiaries with chronic illnesses such as diabetes and congestive heart failure. And I'm looking forward to hearing from our witnesses on the types of care coordination services that plans can offer. All of these improvements in Medicare are the benefits that we often cite as much needed improvements and here we have them in Medicare Advantage.

Now, I know that some folks want to compare spending in the traditional fee-for-service program to the payments to Medicare Advantage plans. They then want to equalize MA payments to fee-for-service spending. We're going to hear from Mr. Hackbarth from the Medicare Payment Advisory Commission on that. That sounds like an easy thing to do, but I don't think that it's as simple as it may seem. That's a very imprecise instrument. And it doesn't make sense. It would undo policies supported by Members on both sides of the aisles to promote the availability of Medicare coverage choices, especially for beneficiaries in rural areas. Beneficiaries now have choices that can provide them with lower out of pocket costs and benefits not otherwise available in traditional Medicare. Medicare Advantage plans can better coordinate a beneficiaries' health care and that leads to better outcomes. We should be doing everything we can to offer beneficiaries better Medicare choices not eliminating them.

Now, I've been watching the MA program closely since the 2003 law. I know that there's been a lot of growth, particularly in private-fee-for-service plans and special needs plans. So I'm not saying that we shouldn't take a close look at the MA program. We should. Like many things we do in Congress, this one is a "work in progress." Improvements can always be made and we should be working to do that. But we need to do it in a careful and deliberate manner and understand how the program is changing and why. This will help better inform any discussions that may occur about the need for any further program changes.