COMMITTEE ON FINANCE
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Max Baucus, Chairman
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Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Marketing by Medicare Private Plans

The Book of Leviticus directed the ancient salesman to deal fairly. Leviticus commanded: "Do not falsify measures of length, weight, or capacity. Keep an honest balance, honest weights, and honest measures."

The centuries have passed. But the challenge of maintaining honesty in sales continues.

Today, we are going to hear how some insurance salespeople are selling private health insurance in Medicare dishonestly.

For example, some insurance salespeople canvas senior housing complexes to talk about "Medicare benefits." They gain entry into homes, because seniors think that the salespeople come from the Medicare program. Once the salespeople get inside, some seniors have a hard time saying "no." Seniors often cannot get the salespeople to leave until they sign something. That's usually an enrollment form. The seniors don't realize that they have been duped until they get a "Welcome to Our Plan Packet" in the mail.

Another example: In New York, one company parked a sales van outside a senior center and herded seniors toward the van to discuss "new Medicare benefits." The seniors did not understand that they were signing up for private plans.

Of course, there are some good companies and good agents that want to give seniors an honest deal. But far too many insurance salespeople are misleading seniors when they sell them private Medicare plans.

The push to sell Medicare benefits by private plans has been aggressive at best. Too often, it has been abusive or downright fraudulent. Serious problems have been revealed in the way that insurers and their agents market and sell Medicare plans.

In December, MedPAC said that it found evidence of hard-sell tactics in interviews with a dozen groups of beneficiaries around the country. MedPAC's analyst reported: "In all 12 focus groups, at least one member mentioned horror stories about marketing abuses."

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And last year, the National Association of Insurance Commissioners did a survey of states. 41 states responded to the survey. In 39 of 41 states responding, there were complaints about misrepresentations by insurance agents or companies marketing their Medicare products. And 22 states reported fraudulent activity, like falsifying signatures on applications.

States are pre-empted by statute from regulating private Medicare plans. But the problems are so egregious and widespread that the Insurance Commissioners convened a task force to develop stronger rules that they will share with the administration. We hope to see their recommendations this summer.

Congress gave the Centers for Medicare and Medicaid Services exclusive regulatory authority over private insurers selling Medicare benefits. The rationale was that a Federal agency should regulate a Federal program, with one set of rules.

But the rules need to be stringent. And the rules need to be enforced. Otherwise, private companies who care most about profits and earnings will find it too easy to take advantage of elderly and disabled people, just to make a buck.

We will discuss CMS' oversight of private plans at a separate hearing.

There are too many problems and abuses. And it is not in just a few states. It is in most states. Ask your state health insurance assistance program and local advocates. They will give you scores of cases where agents have pressured, fooled, or defrauded seniors into buying their plans.

Today I hope we will hear solutions. Let's have a constructive dialogue about the problem and ways to fix it.

The Finance Committee has jurisdiction over Medicare. And we will legislate new marketing rules, if that is what is needed. We will do what we need to do to protect and serve the people who are entitled to Medicare benefits.

So today we will examine how honest the practices of private Medicare insurance salespeople are. We will see how the challenge of maintaining honesty in sales continues to this day. And we will see if we can learn of any new ways to make sure that seniors get a fair deal.

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