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## A Fair Medicare Competition

**T**he conference committee charged with fashioning a final Medicare bill convened this week amid signs that the differences between House Republicans and Senate Democrats are hardening. The main point of the bill was supposed to be providing prescription drug benefits to elderly Americans. But warring camps seem to be drawing lines in the sand around a much larger issue: a provision in the House bill that would force the traditional Medicare program to compete against private insurance plans starting in 2010.

Many Republicans insist that such competition is indispensable to control costs. Many Democrats fear that the competition could ultimately destroy fee-for-service Medicare by driving up premiums and thereby pushing people into cheaper private plans. The task for the conferees is to bridge this widening gap. Otherwise Congress will miss the opportunity to give elderly Americans some of the aid with prescription drug costs that both presidential candidates promised in the last election.

Critics are right in saying that the House bill could begin to change the traditional Medicare program into a premium-support program, in which the government would stop covering the cost of medical services and guarantee only a certain expenditure on health care premiums. House Republicans want to adjust the premium charged to people in traditional Medicare starting in 2010, based on a weighted average of all Medicare spending — counting both the traditional program and competing private plans — in any given area.

If the traditional Medicare costs were higher than the average, then beneficiaries in traditional Medicare would be socked with a premium increase to make up the difference. The same would happen to enrollees in private plans whose costs were above the average. People in plans with below-average costs would share in the savings with the government. The notion is that elderly Americans would gradually move from costly plans to more efficient competitors, helping to control costs.

So what's wrong with a little competition? Nothing, provided the competition is on an even playing field. But this game is too easy to rig in favor of the private plans. True, traditional Medicare would have some significant advantages. It typically extracts lower charges from hospitals and doctors than a private plan can get and has extremely low overhead costs and no need to generate a profit or conduct costly marketing campaigns. But overriding all these advantages is one huge disadvantage — Medicare cannot "cherry pick" the population to enroll only the healthiest beneficiaries, as many private plans routinely do.

Although experts can partly adjust for such enrollment disparities, their tools are far too crude to compensate fully for the fact that a private plan is likely to attract healthy, less costly enrollees, while traditional Medicare would remain burdened with the oldest, sickest, most expensive patients. If these people wanted to stay with their familiar doctors in traditional Medicare, they might face premium increases of up to 25 percent, depending on the competitive situation in their area, according to Medicare's chief actuary.

Democrats should not reject any consideration of a future in which medical care for the elderly would be provided primarily by government-subsidized private plans. Right now, however, it seems premature, even reckless, to put the beneficiaries in traditional Medicare at risk of higher payments based on an ill-considered competition scheme. The logical compromise would be a demonstration program to generate the knowledge needed to structure a truly fair competition.

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