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California Prepares to Eliminate Medicare Advantage Plans for 113,000

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In a situation which may soon be emulated across the country, Medicare Advantage beneficiaries in California are being told they cannot keep their plans even if they like them.

The decision by Anthem Blue Cross to stop offering its popular Medicare Advantage Freedom Blue RPPO means 113,000 Medicare beneficiaries in California will either be moved to other Medicare Advantage plans or be forced to enroll in the regular Medicare program by December 7. The company told its enrollees of the change in November.

Inevitable Result of Obama's Law

Medicare Advantage enrollees receive their Medicare coverage through private insurance companies. The federal government pays the insurance company a fixed amount for coverage, and the enrollee must also pay a monthly premium. Generally, Medicare Advantage plans include more benefits than the regular Medicare program.

According to a spokesman, Anthem Blue Cross took the action in “an effort to effectively manage financial and operational performance of our Medicare business.”

John Graham, director of health care studies for California's Pacific Research Institute, says the withdrawal of Anthem Blue Cross from the market is an inevitable result of President Obama's health care law, which made significant changes to the Medicare Advantage program. Graham says the Obama administration has little use for Medicare Advantage plans.

“President Obama declared war against Medicare Advantage before he even signed Obamacare, declaring that private carriers who offer Medicare Advantage plans are overpaid,” said Graham.

Phasing Out Medicare Advantage

In a report on the effects of Obama's law, "Bad Medicine," Cato Institute senior fellow Michael Tanner outlined the changes he expected for Medicare Advantage.

"The law imposes a new competitive bidding model on the Medicare Advantage program," Tanner writes. "The change will be phased in over three years beginning in 2012," he added.

Tanner says this will likely lead to actions similar to those taken by Anthem Blue Cross in California: "In response, many insurers are expected to stop participating in the program, while others will increase the premiums they charge seniors. Medicare's chief actuary estimates more than seven million seniors could be forced out of their current insurance plan and back into traditional Medicare."

'Soviet-Style Prices'

Graham says there is a need for reform, but not the type undertaken by the Affordable Care Act.

"Private insurers participate in Medicare Advantage by bidding to participate in specific regions. Certainly, the way the federal government manages the bidding process needs reform, because there is some room for manipulation by the insurers," Graham explained. "But any reform should increase choice for seniors, not reduce it. There is compelling evidence that Medicare Advantage plans do a superior job at treating patients with chronic diseases than traditional Medicare does."

This issue strikes close to home for Graham, who lives in a California county where roughly 700 people are losing their Medicare Advantage program because of Anthem's withdrawal.

"As a resident of Marin County, I am inundated with anecdotes of seniors enrolled in traditional Medicare who cannot get a timely appointment with a physician," he says. "Anthem Blue Cross' withdrawal from Medicare Advantage will make this situation worse, as more seniors are forced back into traditional Medicare, which pays doctors according to centrally fixed, Soviet-style prices."

Internet Info:

"Bad Medicine," by Michael Tanner, Cato Institute: <http://www.cato.org/bad-medicine/>