

Testimony of Barbara Caress, Baruch College faculty and PSC member, before the New York City Council Committee on Civil Service and Labor January 9, 2023 Re: Intro 0874-2023 Health insurance coverage for city employees, city retirees, and their dependents

I am Barbara Caress. I teach health care policy to students in Baruch's MBA program in Health Administration. I am a proud member of the PSC.

I want to talk about Medicare Advantage.

I will make two points: (1) **Traditional Medicare and Medicare Advantage are not the same.** (2) **There are no subsidies from the Feds paid to MA plans.**

Traditional Medicare controls cost by fixing prices. Medicare pays according to fee schedules. Almost every hospital and 97% of doctors accept the price Medicare sets as payment in full. No balance billing. With minor variation, Medicare pays the same amount for a doctor visit in NY as in Mississippi.

Medicare Advantage insurers control costs by limiting access to doctors and hospitals, procedures, and diagnostic testing. They create networks with which they have negotiated lower payment rates. Unlike Medicare, those rates can differ among providers in the same city. About 70% of physicians participate in one or another MA plan.

More expansive MA PPOs, like Aetna's, pay out-of-network providers according to the Medicare fee schedule. But they discourage use by imposing much more onerous paperwork requirements on out-of-network providers. It is this fact, for example, which has led the Mayo Clinic to inform its patients in Florida, Arizona, and Minnesota that it will not participate in MA. Mayo refuses to require its doctors seek an insurance company's approval before deciding on diagnostic testing or treatment. Nor are they willing to risk a post treatment denial and refusal to pay.

Provider directories are always out of date. The only way to know if a doctor is in or out is to ask. And even then, there is no guarantee that a doctor will still be accepting MA when you need her care.

We know that MA works for most retirees most of the time. But when it doesn't, the consequences could be catastrophic – no access to the doctor or treatment that might save your life. That is the nightmare of NYC retirees.

Another difference is how much MAs spend on medical care. The Federal government does not subsidize Medicare Advantage. The Feds base their MA payments to insurance companies on the amount it expects to spend on medical care for patients in a community – in our case about \$1,200 a month.

By limiting access to expensive services and negotiating favorable reimbursement rates, MA plans spend only 60% to 70% of their CMS allotment on medical care. They do it without the burdensome deductibles which Medicare passes on to beneficiaries. People enrolled in MA plans do not need supplementary insurance like Senior Care.

There is no secret sauce that NYC is smartly dipping in to. Medicare Advantage costs less because insurance companies spend less on medical care.

Thank you for this opportunity. I would be happy to answer any questions.