



COMMITTEE ON  
**WAYS & MEANS**  
REPUBLICANS

# *the* **WAY FORWARD** *on* **HEALTH CARE**

## **SAVING MEDICARE BY BUILDING ON MEDICARE ADVANTAGE'S SUCCESS**

### ***What's the problem?***

The current Medicare program has very serious financing challenges. The part of Medicare that pays for care at hospitals is expected to be exhausted just six years from now. At that point, the government will only have enough money to pay for 90 percent of benefits. To shore up that part of Medicare for the long-term, benefits would need to be cut immediately by 16 percent, or the payroll tax would need to be increased to 3.66 percent from 2.90 percent.

It is irresponsible for Congress to ignore the financial issues that are currently jeopardizing health care security for current and future seniors. A top priority for Congress should be to work to make sure we can keep our promises to those in or near retirement.

### ***Here's how we'd fix it:***

The Medicare Advantage program (MA) has proven that private insurers can provide the Medicare benefit to seniors better than the government can. In MA, where private insurers provide Medicare's benefit to 36 percent of all Medicare beneficiaries, 89 percent of enrollees were enrolled in a plan that included drug coverage and 60 percent of them got that coverage premium free in 2020.

On top of that bonus drug coverage, 79 percent of MA enrollees had some type of vision benefit, 74 percent had a dental benefit, and 72 percent had a hearing aid benefit in 2020. All of these valuable extra benefits are in combination with the out-of-pocket maximum required by law in MA plans to protect seniors from catastrophic costs. No such protection exists for seniors in the government-run traditional Medicare program. For that, seniors in traditional Medicare have to buy a separate, supplemental plan.

Private insurers have shown us that they can provide better health coverage to seniors more efficiently than the government can, with extra benefits, and with near-universal satisfaction among enrollees. A [May 2020 poll](#) found that 99 percent of seniors on Medicare Advantage are satisfied with their health care coverage, with 64 percent saying they are very satisfied.

With traditional Medicare quickly approaching insolvency and Medicare Advantage's popularity and enrollment consistency rising, Congress should start to develop and test new ideas to lower costs and guarantee the Medicare benefit is stable for current and future seniors based on this success. In particular, Congress should test the bipartisan idea of setting payments in Medicare based on a competitive bidding system. This system would adjust the amount of money paid to a plan on a beneficiary's behalf based on how that plan's cost estimates for coverage compare to other plans in the same geographic area. This new system would replace the antiquated MA payment system used today that links MA payment to the costs of traditional Medicare. Private plans would compete against each other to attract seniors, just as they do today, but their payment would be more directly tied to how they compare against other private plans. This reform has the power to put Medicare on stable financial footing and deliver better, more generous Medicare benefits to seniors.