

June 16, 2009

United States Senate  
Washington, D.C. 20510

Dear Senator:

The undersigned organizations applaud Congress' efforts to address two major national priorities: providing health care coverage for the uninsured and reducing health care costs that are consuming an ever-larger share of our economy. We strongly support health care reform legislation that will achieve these goals and shore up Medicare, Medicaid, and employer-based insurance. As you proceed, we urge you to ensure that Medicare beneficiaries receive a level of coverage that is comparable to the benefit value most Americans will be able to obtain in a reformed health system.

Beneficiaries need more financial protection from their out-of-pocket health care costs than is currently provided by Medicare. This population has higher than average health care needs, and almost half live on an income that is at or below 200 percent of the federal poverty line. Beneficiaries' out-of-pocket expenses have climbed to 16 percent of income, creating a serious barrier to care.

Currently, the overall benefit value of Medicare coverage is low relative to private insurance – constituting 90 percent of the standard option available through Blue Cross Blue Shield to members of Congress and other federal employees. This is the “medium option” that the Finance Committee has proposed making available through a new health insurance exchange. Affordability standards in the legislative proposal recently released by the chairman of the Health, Education, Labor and Pensions Committee will provide households below 200 percent of poverty with insurance coverage for 93 percent of total health costs, providing important financial protection for this group. Medicare, however, covers only 74 percent of these costs. We believe that Medicare beneficiaries should receive a benefit package which – at least – compares in value to the medium level of benefits provided through a health insurance exchange.

Medicare's low benefit value results from an outdated cost-sharing structure with coverage gaps that are found in only a minority of employer-sponsored plans. Addressing these major coverage gaps is an obvious place to start in improving Medicare's benefits:

- Medicare should have an out-of-pocket maximum. This is a fundamental protection available in the coverage provided to federal employees and in plans that meet minimum coverage standards proposed in the Senate.
- The extremely high deductible in Part A should be reduced.
- The Part D “doughnut hole” coverage gap should be closed.

We believe the easiest way to address these coverage gaps is to allow beneficiaries to purchase an enhanced A/B benefit under original Medicare for an additional, unsubsidized premium.

Such a benefit would provide an annual out-of-pocket limit and affordable cost-sharing – offering a money-saving alternative to Medigap and a traditional Medicare alternative to Medicare Advantage plans. Structured as a voluntary program, beneficiaries would be able to keep their current coverage if they prefer it to an enhanced Medicare benefit.

Providing this comprehensive coverage as an option under Medicare is in line with one of the central principles of the President’s health reform initiative – to avoid disrupting health insurance coverage for people who are now satisfied with their plan. By contrast, restructuring the Medicare benefit in a way that raises cost-sharing for many beneficiaries, or imposing new restrictions on supplemental Medigap coverage (two options floated by the Finance Committee) would negatively impact coverage for millions of Medicare beneficiaries.

We greatly appreciate the efforts underway to improve the health care system and look forward to continuing to work with you in this endeavor. Please count on us to help develop approaches to improving Medicare, and we hope that addressing Medicare’s coverage gaps will be a central part of the healthcare reform dialogue.

Sincerely,

Alliance for Retired Americans  
American Federation of State, County and Municipal Employees (AFSCME)  
Center for Medicare Advocacy  
Families USA  
Medicare Rights Center  
National Committee to Preserve Social Security and Medicare  
NCCNHR: The National Consumer Voice for Quality Long-Term Care  
National Senior Citizens Law Center