

Paying More for Less: Private Contracting

Medicare guarantees access to health care for older adults and people with disabilities. Together with the Affordable Care Act (ACA) and Medicaid, Medicare builds health security for Americans of all ages. Any changes to Medicare must aim for healthier people, better care, and smarter spending—**not paying more for less.**

Today, physicians may choose to privately contract with their Medicare patients, though very few do. Under such arrangements, providers can charge beneficiaries any amount they deem appropriate, rather than be bound by Medicare's set fees and billing limits, so long as the patients agree. Some policymakers support broadening the conditions under which providers can privately contract with Medicare beneficiaries for the price of their services.

People with Medicare would face higher costs, reduced access to care.

- Currently, there is no cap on the amount physicians can charge their Medicare patients under private contracts. Recent proposals to expand private contracting in Medicare would similarly not limit what a physician could charge for a given service. If these arrangements were to become more common, a growing number of beneficiaries would be exposed to unlimited charges—and higher costs.
- Most people with Medicare cannot afford to pay more for care. Half of all beneficiaries in Original Medicare already spend more than 18 percent of their income on premiums and other medical expenses.ⁱ
- Some private contracting proposals would also allow providers to refuse to see beneficiaries unable to pay the price of care specified by the provider. This would essentially create two tiers of beneficiaries—those who can afford to access needed care and those who cannot.
- By giving providers discretion to choose what to charge and to whom, Medicare private contracting arrangements would eradicate cost predictability and undermine the doctor-patient relationship.

People with Medicare: Just the Facts

Most people with Medicare have modest incomes. In 2016, half of all Medicare beneficiaries had incomes below **\$26,200** and one quarter had incomes below **\$15,250**.

People of color live on even less. The median income for black beneficiaries is **\$17,350 per year** and just **\$13,650** for Hispanic beneficiaries.

Older people of color are more likely to live in poverty. The poverty rate is **18%** for black adults over 65 and **20%** for Hispanic adults compared to **7%** for white adults.

People with Medicare already pay a significant amount towards health care. In 2016, they paid **14%** of household expenses towards health care costs, more than double that of non-Medicare households (**6%**).

Medicare private contracting rules provide important beneficiary protections.

- In the 1980's, many people with Medicare were unable to afford the prices that some health care providers were charging—amounts over and above the Medicare-approved amount—leading some to go without needed care.
- In response, Congress imposed limitations on providers who accept Medicare that prohibit them from charging beneficiaries more than the Medicare-allowed cost sharing.ⁱⁱ
- According to one study, out-of-pocket spending declined by 9% among older households because of these protections.ⁱⁱⁱ
- Today, Medicare limits how much providers can charge Medicare patients. The amount a Medicare beneficiary may have to pay for a given service depends on the provider's level of participation in the Medicare program. Providers have three options:
 - When people with Medicare see **participating providers**, they are charged Medicare's standard amounts— 20% coinsurance on most services—and do not face any additional out-of-pocket charges.
 - **Non-participating providers** may charge higher fees than participating providers, up to a maximum limit—115% of a reduced fee schedule amount. Medicare patients are fully responsible for this added amount (balance billing) in addition to applicable coinsurance.
 - Providers who **opt out** of Medicare and have private contracts with beneficiaries may—within certain limits—charge whatever they choose.^{iv} Medicare patients are responsible for the entire cost of any services they receive from opt-out providers.

Provider participation in Medicare is stable and strong.

- More than nine in ten primary care physicians accept Medicare, and more than 70% accept new Medicare patients. In rural communities, more than 80% accept new Medicare patients.^v In recent years, overall provider participation in Medicare increased.^{vi}
- An overwhelming majority—96%—of people with Medicare report having regular access to care. Most people with Medicare report that they never have to wait longer than they want to get an appointment,^{vii} and more than 8 in 10 report receiving that care at a doctor's office or doctor's clinic.^{viii}
- The vast majority of physicians—approximately 95%—are participating providers. Less than 1% of physicians completely opt out of Medicare, and this number is on the decline.^{ix} In 2018, CMS reported a sharp decrease in the number of providers opting out of Medicare.^x

ⁱAARP, "Medicare's Protections for Consumers: Limits on Balance Billing and Private Contracting by Physicians," (January 2017)

<https://www.aarp.org/content/dam/aarp/ppi/2017-01/medicare-limits-on-balance-billing-and-private-contracting-ppi.pdf>

ⁱⁱ Kaiser Family Foundation, "Paying a Visit to the Doctor: Current Financial Protections for Medicare Patients When Receiving Physician Services," (November 2016)

ⁱⁱⁱ McKnight, R., "Medicare Balance Billing Restrictions: Impacts on Physicians and Beneficiaries," *Journal of Health Economics* (March 2007)

^{iv} Medicare Interactive, "Paying for the Doctor When You Have Original Medicare," (2017)

^v Kaiser Family Foundation, "Primary Care Physicians Accepting Medicare: A Snapshot," (October 2015)

^{vi} ASPE, "Access to Physicians' Services for Medicare Beneficiaries," (August 2013)

^{vii} AARP, "Medicare's Protections for Consumers: Limits on Balance Billing and Private Contracting by Physicians," (January 2017)

<https://www.aarp.org/content/dam/aarp/ppi/2017-01/medicare-limits-on-balance-billing-and-private-contracting-ppi.pdf>

^{viii} Kaiser Family Foundation, "Medicare Patients' Access to Physicians: A Synthesis of the Evidence," (December 2013)

¹⁹AARP, “Medicare’s Protections for Consumers: Limits on Balance Billing and Private Contracting by Physicians,” (January 2017)
<https://www.aarp.org/content/dam/aarp/ppi/2017-01/medicare-limits-on-balance-billing-and-private-contracting-ppi.pdf>.

²⁰Dickson, V., “Fewer doctors are opting out of Medicare,” *Modern Healthcare* (January 30, 2018)
<http://www.modernhealthcare.com/article/20180130/NEWS/180139995>