



Committee On Finance

Max Baucus, Ranking Member

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Baucus Questions Federal Employees' Program as Model for Medicare

(WASHINGTON, D.C.) U.S. Senator Max Baucus, Ranking Member of the Senate Finance Committee, today called into question proposals to reform Medicare based on a system of private health plans, similar to the Federal Employees Health Benefits Plan (FEHBP). Saying that such plans would both cost Medicare more and limit access to care in rural areas, Baucus cited research by the Center for Studying Health System Change, a nonpartisan policy research group, and analysis by the minority staff of the Senate Finance Committee.

In an April 10 letter to Baucus, submitted as part of the record for an April 4 Finance Committee hearing on competitive purchasing for health care, the Center for Studying Health System Change, provided evidence that the use of private plans in Medicare would not likely produce lower costs for the program. According to the Center, in most areas of the United States private plans pay higher rates than those of the traditional Medicare program. Further, private plans are finding it increasingly difficult to manage costs in the face of a continued backlash against managed care.

"This research calls into serious question the notion that private plans are the answer for what ails Medicare," Baucus said. "While many hold up FEHBP and the use of private plans as a panacea to save Medicare, the Center for Studying Health System Change's real-world research shows that private plans would, in fact, speed the fiscal demise of Medicare. The research also shows that not only are private plans more expensive than Medicare, they also limit access."

According to research conducted by the minority staff of the Senate Finance Committee, access to care in FEHBP is often limited for FEHBP members living in rural areas like Montana. For example, in many Montana towns, the Blue Cross Blue Shield plan, which covers about 50 percent of all FEHBP enrollees nationwide, doesn't include many specialists in its network, while traditional Medicare does. As a result, many rural Montanans must travel long distances to receive care from an in-network specialist or face higher deductibles and cost-sharing amounts.

"It's important that we continue to address Medicare modernization, and it's important that we do it right," Baucus said. "We must make sure that any reforms we make work for all seniors, in every region of the country, rural or urban."

Attached are questions – as well as the correspondence between Baucus and the Center for Studying Health System Change – that Baucus submitted for the record on April 10.