



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Need for Accountability and Oversight
of Marketing by Medicare Private Plans**

The author D.H. Lawrence said: "Never trust the artist. Trust the tale."

In large part, the story of sales by private Medicare plans is a tale of trust. Seniors justifiably trust Medicare. But there are sales artists who are abusing that trust.

Last week, the Finance Committee held the first of two hearings on this subject. Last week, we had several witnesses. They had different points of view. They came from different parts of the country.

But three separate witnesses testified that insurance sales agents are using abusive tactics to sell private Medicare plans.

All three witnesses shared the same story. Private plans and their agents are pushing private Medicare plans using methods that are aggressive, and too often, abusive or fraudulent. CMS guidelines are just not enough to stop the abuses.

Sales agents gain easy entry into beneficiaries' homes. Often they appear to represent Medicare.

CMS may have prohibited door-to-door sales. But sales agents are skirting that prohibition. When the agents are in the beneficiaries' homes, they ask the beneficiaries to call their neighbors on behalf of the agents. The agents tell the beneficiaries that their neighbors can get a same-day appointment. Beneficiaries may place the calls just to get the agents out of their homes.

Last week, one beneficiary, George Harper of Mayflower, Arkansas, told the Committee that a sales agent came to his house. Mr. Harper testified how the agent tried to sell him insurance that he did not want and did not need. Mr. Harper told how an agent forged his signature to enroll him and his wife in a private Medicare plan.

The Harpers had a devil of a time getting out of the plan and get fully reimbursed for their expenses. Those were expenses that they could not afford. They're expenses that they should never have had to pay.

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Sales agents canvass senior housing complexes. They offer free meals at restaurants to talk about “new Medicare benefits.” They make it look and sound as though they represent Medicare. But they’re really selling a private plan.

The Committee heard how economic incentives are fueling an aggressive sales environment. The Government pays private insurance companies generously. In Medicare Advantage, the Government pays private insurers 13 percent more than the traditional program.

Plans, in turn, offer big financial rewards to their sales agents. Humana is offering a \$10,000 bonus to agents who enroll 150 seniors into private Medicare plans by April 1.

The Illinois Insurance Director testified that the financial incentives to sell private Medicare plans, plus the absence of rigorous Federal oversight, invite abuses by companies and their agents.

He likened the current marketplace for private Medicare plans to the early days of Medigap. Back then, lax Federal regulation allowed confusion and distress for seniors.

The Committee also heard proposals to clean up marketing practices and strengthen oversight. Even Humana offered five recommendations.

Among other things, Humana proposed more stringent Federal standards for marketing practices, new Federal requirements for sales commissions, and more Federal cooperation with state regulators on complaints.

I commend Humana for making these recommendations. Humana is asking CMS to do more than it is doing today.

Witnesses also proposed that the Federal Government allow states to expand their oversight. States insurance regulators are calling for a Medigap approach, in which states are permitted to enforce national safeguards promulgated by HHS.

Congress gave CMS exclusive authority to regulate insurers selling Medicare benefits. The idea was that a Federal program should be regulated by a Federal agency, with one set of rules.

Today, we will hear from CMS about the rules that they have set and how they are clamping down on bad sales practices.

Mr. Weems, many Senators are skeptical that CMS has the institutional knowledge, expertise, and willingness to do the job. Many doubt that CMS will take a strong regulatory posture. Many question whether CMS can construct and enforce marketing rules that truly protect and assist seniors.

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We need tough rules. And they need to be enforced. We need more than just guidelines. Otherwise, private companies who care most about profits will find it too easy to take advantage of elderly and disabled people, just to make a buck.

Mr. Weems, today, I hope that you will offer the Committee solutions to the many problems that we heard last week. I hope that you will move quickly to restore the trust of people like the Harpers in the Medicare program.

Plainly, seniors should never trust these shady private Medicare sales artists. But we want to maintain seniors' trust in Medicare. Mr. Weems, I trust that you will tell the tale of how we can do so.

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