

Biden moves forward with Trump Medicare privatization plan

By Chris Tomlinson

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No one should be surprised the Trump administration hatched a plan to put private insurance companies in charge of Medicare. What's shocking is how President Joe [Biden is moving forward with it](#).

The 50-year-old, government-operated health program for the elderly will slowly and irrevocably end up managed by for-profit insurers under the [Global and Professional Direct Contracting Model](#). The Center for Medicare Services says the program will increase "access to innovative, affordable care while maintaining all original Medicare benefits."

Wall Street expects it will generate billions in new dividends for health care companies. [Critics warn](#) seniors will find it harder to obtain care, and taxpayers will end up paying more than ever.

This is not the first effort to hand over Medicare patients to private companies in the name of cost-saving. Recently, I explained how Medicare Advantage programs were [failing to save taxpayer money and leaving many enrollees disappointed](#). But while seniors can opt out of Medicare Advantage, Direct Contracting will involuntarily put them in the same boat or a potentially leakier one.

Anyone who's dealt with Medicare has experienced its mind-numbing complexity. Personal experiences vary based on plan choice and health conditions. But the fundamental question is why politicians think private insurance companies using Direct Contracting will deliver a better experience while making a profit when so far, they've [never succeeded at doing better than government-run Medicare](#).

Lobbying and campaign donations are the answers. Private companies promise to solve the fundamental problem of Medicare paying doctors and hospitals a fee for each service they perform rather than paying providers to keep people healthy.

Primary care doctors are paid very little to prevent chronic problems, such as obesity, diabetes and heart disease, the biggest financial burdens on the system. But the surgeons and specialists who treat these problems when they become life-threatening make fortunes.

A few years ago, [I praised](#) the [Accountable Care Organization](#)/Medicare Advantage model because it encouraged providers to form teams of primary care providers and specialists. Instead of paying fee-for-service, Medicare paid an annual rate for each patient. If the team saved money by keeping the patient healthy, it kept some of the windfalls.

Medicare Advantage, though, drove up costs to taxpayers instead of reducing them. Depending on the program, patients also ended up paying more in deductibles and co-payments than they would have under traditional Medicare.

Despite this track record, the Biden administration paid private companies to take over 30 million traditional Medicare patients in 38 states on Jan. 1 this year. Millions more will be transferred to Direct Contracting in 2022.

Most Direct Contracting companies are [investor-backed, for-profit corporations](#), according to government data. Most have experience with Medicaid Advantage, and Medicare officials expect them to impose similar cost-cutting steps. But can they cut enough to cover their profits and save taxpayers' money?

The business opportunity looks vast. Medicare spending is expected to rise from \$800 billion in 2019 to \$1.6 trillion in 2028 as Baby Boomers live longer. Wall Street considers Direct Contracting firms eight times more valuable per patient than Medicare Advantage firms, even though they are supposed to save money.

Medicare is also offering sweetheart deals that reduce these companies' financial risk. In just 18 months, investor-backed funds seeking big profits have put \$50 billion of new investment into health care firms involved in Direct Contracting, according to [Health Affairs](#), a non-partisan research journal.

"This business model is distorting health care delivery, creating excessive costs for taxpayers and Medicare beneficiaries, draining the Medicare Trust Fund, obstructing the badly needed value transformation of American health care, and diverting the money needed to fund other social services and goods," the Health Affairs [researchers concluded](#).

Corporations, non-profits and practitioners have proven very successful at gaming our for-profit health care system. A recent example is UnitedHealth's [\\$100 million lawsuit against emergency physician staffing firm TeamHealth](#) for allegedly exaggerating their patients' conditions to generate larger bills.

Biden's decision to move forward with Direct Contracting reflects for-profit health companies and investors' power over both political parties. He's rejected a single-payer system like those found in Europe, and he parrots the demonstrably-untrue premise that private enterprise can do a better job than well-managed government employees.

Direct Contracting is also likely to kill any chance for progressive Democrats to make [Medicare an option for any American who wants to enroll](#). If the government puts private companies in charge of all Medicare patients, it will eliminate any opportunity to overhaul our health care system truly.

Next year, millions more Americans will find themselves in privatized Medicare, and most will never know what happened.