Commissioner Scott Kipper, Chair
NAIC Senior Issues Task Force
Attn: Jane Sung, Health Policy Counsel
National Association of Insurance Commissioners
444 North Capitol Street, NW, Suite 701
Washington, D.C. 20001

Dear Commissioner Kipper:

We the undersigned organizations and consumer advocates write in opposition to the addition of cost sharing in Medigap plans. The undersigned organizations represent the millions of older adults and people with disabilities who rely on Medicare for basic health and economic security. We understand that the Task Force will be considering draft recommendations to the Secretary of Health and Human Services developed by the PPACA Subcommittee that would add cost sharing for advanced imaging services and power wheel chairs or "scooters" in Medigap Plan C and Plan F. We oppose the addition of cost sharing for these services, and we strongly encourage the Task Force to accept only its primary recommendation that no changes should be made to cost sharing in Medigap plans.

Proposals that would add cost sharing to Medigap plans are based on the false assumptions that beneficiaries with supplemental coverage use more Medicare services than necessary and that additional cost sharing will result in federal health care savings. Contrary to these claims, evidence shows that cost sharing reduces the use of **both** needed and unneeded care. As a result, increased cost sharing may contribute to adverse health consequences among beneficiaries with Medigap benefits. Multiple studies reinforce that increased cost sharing can lead to increased emergency room visits, hospitalizations and outpatient care.

In addition to the possibility of adverse health outcomes, proposals to increase Medigap cost sharing inappropriately and unrealistically place the burden on a beneficiary to determine in advance whether a covered service is necessary or unnecessary. A widely cited study by the RAND corporation found that patients were more likely to avoid initiating a health care service or treatment because of cost sharing; but that once the initial decision to seek help was made cost sharing had little effect on whether or not a particular treatment was pursued. This indicates, and our experience confirms, that it is health care providers – not patients – who make decisions about which medical services are provided.

We remain deeply concerned that any attempt to add cost sharing in Medigap plans will cause disproportionate harm to beneficiaries with low and modest incomes, those who are chronically ill and those living in rural communities. Most often, Medigap policies are purchased by beneficiaries with low and modest incomes to offset out-of-pocket Medicare expenses. One in

five beneficiaries relies on Medigap to avoid high, unpredictable health care expenses and to manage the impact on limited incomes.

A recent study by the Kaiser Family Foundation found that two thirds (66%) of people with Medigap have incomes below $40,000 per year and one third (31%) have incomes below $20,000 per year. In short, people with Medigap are not wealthy and would be hard pressed to pay more for their health care. Similarly, beneficiaries who are chronically ill are more reliant on Medigap policies to manage significant health expenses, as are beneficiaries who reside in rural communities where Medicare Advantage options are limited or unavailable.

First and foremost, we are deeply concerned about the unintended, harmful health consequences that may result for those subjected to the proposed cost sharing. Second, we do not believe that added cost sharing is the appropriate tool to discourage over utilization of advanced imaging services and scooters. The Centers for Medicare and Medicaid Services (CMS) has the ability, and the obligation, to discourage improper utilization of these services by all Medicare beneficiaries, not only those who purchase Medigap plans. Indeed, CMS has at its disposal several tools to fight fraud, waste and abuse for these services and is already successfully implementing initiatives to address these concerns in targeted ways.

In sum, while we support the goal of controlling Medicare costs, we believe that the concept of introducing new cost sharing to Medigap plans is a mistake. The literature available, combined with our many years of experience, supports our position that increased Medigap cost sharing is **not** an effective tool for reducing Medicare spending, and may harm the health and well-being of beneficiaries who forgo needed health care because of cost.

Sincerely,

Organizations:
American Congress of Rehabilitation Medicine
American Speech Language Hearing Association
Brain Injury Association of America
California Health Advocates
Center for Economic Justice
Center for Insurance Research
Center for Medicare Advocacy
Consumers for Affordable Health Care – Maine
Health Access California
Medicare Rights Center
N.C.A.R.T (National Coalition for Assistive and Rehab Technology)
National Committee to Preserve Social Security & Medicare
National Senior Citizens Law Center

United Spinal Association
United Policyholders

NAIC Consumer Representatives:
Barbara Yondorf
Brenda Cude
Carrie Fitzgerald
Elizabeth Abbot
Joe Ditre
Karrol Kitt
Kathleen Gmeiner
Sonja Larkin-Thorne

CC: Michelle Robleto, Chair
NAIC PPACA Medigap Workgroup