

June 22, 2023
The Honorable Dr. Susan Eggman
Chair, Senate Health Committee
1021 O Street, Room 3310
Sacramento, CA 95814

RE: AJR 4 (Schiavo): Medicare Protection Act of 2023 - Support

State Senator Eggman,

We, the San Ramon Valley Democratic Club in the Bay area, are writing in support of AJR 4 (Schiavo), the Medicare Protection Act of 2023, which jointly calls on the houses of the California Legislature to request President Biden to terminate the ACO REACH pilot program which undermines the core, consumer-directed, principles of Traditional Medicare by auto-aligning enrollees into ACO's (Accountable Care Organizations) equipped with incentives to maximize profits over delivering quality care.

Medicare is the quintessential health insurance program for adults age 65 and older and for people with disabilities in America. Americans are living longer which is driving historic demographic shifts resulting in higher densities of older adults (age 60) and seniors (age 65 and up) in our communities. In California, older adults and seniors will comprise 25% of the population by 2030.

Traditional Medicare (TM) covers Hospital costs for Part A beneficiaries and outpatient related services for Part B beneficiaries. TM ensures the free choice of primary care providers which affords beneficiaries access to the care they need, when they need it. TM is especially popular for beneficiaries residing in "care deserts", such as rural communities or areas with limited access to healthcare resources, because they are not confined to plan-specific networks. Nationally, approximately 55% of all Medicare beneficiaries are enrolled in TM, whereas in California TM enrollment trends lower at approximately 50%.

The Direct Contracting pilot program (now ACO REACH) was developed by the Trump Administration to further privatize Traditional Medicare by utilizing many of the same elements as Medicare Advantage (which has a troubling and well documented history of overcharges totaling hundreds of billions of taxpayer dollars over the last decade).

In February of 2022, the Biden Administration announced the ACO REACH program, which officially launched Jan 1, 2023, as the successor to Direct Contracting but maintained many of its most dangerous elements; most notably the requirement for participating plans to spend 60% of the Medicare payment - at minimum - allowing plans to keep up to 40% of the unused payment as profit, in addition to the continued utilization of the auto-alignment mechanism which has the potential to enroll tens of millions of TM beneficiaries into ACO REACH without their full knowledge or consent.

Virtually any company can apply to participate in the ACO REACH program, including commercial insurers, venture capital investors, even dialysis centers. In January of 2023, CMMI officials informed the CalPERS board "there will not be any more than 132

organizations in the model and most likely no more than 2.1 million beneficiaries.” While this is a positive development that indicates a temporary moratorium on the program’s expansion, 2.1 million beneficiaries were automatically enrolled into ACO REACH without their full knowledge or consent. There is no guarantee that ACO REACH will not be rebranded - or expanded - under another name in the future, just like Direct Contracting.

ACO REACH is a dangerous pilot program that establishes the foundation for the outright privatization of Traditional Medicare, by transferring public, taxpayer Medicare funds to private for-profit corporations. To date, at least 27 of the participating 132 ACOs (nearly 21% of all participating entities) are based in California. Moreover, changing primary care providers can be a daunting experience, especially for seniors and people with disabilities who made the conscious choice to enroll in Traditional Medicare. Under this program, 2.1 million Traditional Medicare beneficiaries had their choice rescinded, potentially leading to disruptions in ongoing treatment, complications with the transfer of medical records to the new ACO network; and once a beneficiary is auto-aligned into ACO REACH, the only way to return to TM requires the beneficiary to terminate their plan and change their primary care provider to one that is not affiliated with an ACO - which can be an arduous and needlessly confusing process.

Placing millions of Traditional Medicare beneficiaries into the hands of for-profit, Wall Street backed, health plans with minimal requirements for ensuring timely, accessible, quality care while incentivizing profiteering is antithetical to Medicare’s promise of guaranteeing beneficiaries the free choice to choose providers and threatens to upend California’s progress to attain equitable health care options for our aging community. The ACO REACH program must be terminated - outright - immediately.

For these reasons, we respectfully ask for your AYE vote.

Sincerely,
San Ramon Valley Democratic Club