



**For immediate release:**  
July 6, 2007

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## **New York's Child Health Plus Expansion Jeopardized by Medicare Advantage Overpayments**

***Report: In 2007, feds made \$700 Million in overpayments for NY alone  
NY beneficiaries paid \$35 million in extra premiums  
These funds would be better used to finance Governor Spitzer's plan to cover all  
uninsured children***

Albany—A privatized Medicare plan involving fewer than 20 percent of all Medicare beneficiaries is costing taxpayers \$709 million annually in corporate handouts, according to an analysis released today by Citizen Action of New York and the Fiscal Policy Institute (FPI). These funds could be better used to finance health care initiatives like Governor Spitzer's plan to expand Child Health Plus to cover all uninsured New York children or federal efforts to strengthen Medicare benefits for all low-income seniors, the advocates say. The report comes as Congress is considering the renewal of the State Child Health Insurance Program (SCHIP).

"When President Bush tried to privatize Social Security in 2005, Citizen Action led the resistance in New York," said Richard Kirsch, executive director of Citizen Action of New York. "Now Medicare is headed down a similar path. New York members of Congress need to make sure that federal funding supports health coverage for New York children rather than lining the pockets of health industry CEOs, and doesn't soak seniors and the disabled."

"Medicare Advantage was developed under the mistaken assumption that private insurers could provide the same services as Medicare at a lower cost," said Trudi Renwick, senior economist at FPI, noting that instead, costs went up and in some cases services have disappeared. "Here in New York, we can't afford to waste health care dollars. These funds would be better used to finance Governor Spitzer's plan to cover all uninsured New York children."

Next week, both the United States Senate and the U.S. House of Representatives are slated to take up the renewal of the State Child Health Insurance Program (SCHIP) through which New York funds its highly acclaimed Child Health Plus program. Decisions made by the Senate Finance Committee and House Committee on Energy and Commerce will determine how much federal assistance New York can count on to implement Governor Spitzer's promise to enroll all 400,000 uninsured New York children in either Medicaid or Child Health Plus.

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Under the new fiscal discipline adopted by the Democrats in both the House and the Senate, any improvements or expansions to the child health insurance program will need to be paid for with revenue increases or spending cuts in other programs. One way to pay for insuring more children would be to eliminate windfall overpayments to insurance companies through the Medicare Advantage program.

Medicare Advantage is a privatized Medicare plan involving fewer than 20 percent of all Medicare beneficiaries that pays out billions in corporate handouts and threatens Medicare's ability to care for its 47 million beneficiaries. According to the Citizen Action and FPI analysis, it costs \$1,113 more per year for each New Yorker enrolled in MA than it would cost to provide care for that person in traditional Medicare. With 654,000 MA enrollees, the overpayments in New York alone in 2007 total \$709 million. The nonpartisan Congressional Budget Office has found that, nationwide, the average MA plan is overpaid by 12 percent for each enrollee. The report also found that New York's 1.4 million beneficiaries are paying more than \$34.5 million in additional Part B premiums to subsidize private Medicare Plans.

According to FPI's executive director, Frank Mauro, "While there may be some Medicare Advantage plans that are not profiteering from the current arrangement, the overall Medicare system would be much better off today if this approach to privatization had never been initiated. Given where things now stand, the overpayments should be eliminated or greatly reduced, and the regulation and oversight of the enrollment practices of the private MA plans should be increased."

The report is available at [www.fiscalpolicy.org](http://www.fiscalpolicy.org) and [www.citizenactionny.org](http://www.citizenactionny.org).

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents. Citizen Action of New York ([www.citizenactionny.org](http://www.citizenactionny.org)) is a statewide membership organization working for social, racial, economic and environmental justice. Both FPI and Citizen Action are affiliated with the Emergency Campaign for America's Priorities ([www.actnow.org](http://www.actnow.org)), a nationwide campaign of national and grassroots organizations committed to reversing the administration's policy of drastic cuts to programs that primarily benefit the poor and middle class in order to finance tax cuts that benefit the wealthy and special interests.*