



**THE ARIZONA MEDICAL ASSOCIATION, INC.
HOUSE OF DELEGATES**

NO. 09-22
DATE: 02/10/2022

INTRODUCED BY: Eve Shapiro, MD and Michael Hamant, MD
SUBJECT: Direct Contracting Entities

Whereas, a new program started under the Trump administration introduces a way that those seniors on Traditional Medicare can be moved into a for profit insurance model without their consent using the program known as Direct Contracting Entities (DCEs) which are essentially middlemen that receive a monthly capitated payment from CMS for covering some defined portions of each enrollee's expenses; and

Whereas, DCEs are allowed to keep as profit and overhead what they don't pay for in health services, therefore giving them a dangerous financial incentive to restrict seniors' care; and

Whereas, Medicare pays DCEs more money for patients with more complex diagnoses, DCEs, like Medicare Advantage, have a strong incentive to engage in a fraudulent practice known as "up coding," meaning that they exaggerate the coding of seniors' diagnoses, resulting in higher costs to Medicare than Traditional Medicare; and

Whereas, unlike Medicare Advantage, patients do not themselves choose to enroll in DCEs, but find themselves automatically in them if their primary care physician is in one, and can only withdraw by changing their physician; and

Whereas, physicians do not necessarily choose to be part of a DCE and can find themselves in one when their group practice is acquired by another non-medical entity such as a private equity, and then find their patients having to choose between staying with them or leaving the DCE; and

Whereas, the fundamental difference between for profit health insurance and Traditional Medicare is that for-profit insurance limits care to provide maximum profit for its shareholders through narrow networks and denial of care and Traditional Medicare limits the risk to the patient by not requiring pre-approval for treatment and offering complete choice of doctors and hospitals; therefore, be it

Resolved that the Arizona Medical Association write a letter to Health and Human Services Secretary, Xavier Becerra and President Biden requesting that the Direct Contracting Entities program be terminated; and be it further

Resolved that physicians be informed about this program through educational resources so that they can make intelligent decisions about participation.



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Budget Impact: None

Reference:

- 1) [The biggest threat to Medicare you've never heard of](#) - by Rep. Pramila Jayapal and Dr. Susan Rogers



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Adopted 4/23/2022