May 2, 2022

To: Single-Payer supporters and the general public

Re: Threat to Medicare from "Direct Contracting Entities/REACH"

We are internists writing to inform you of the dangers of Centers for Medicare and Medicaid Services (CMS) current efforts to push beneficiaries in Traditional Medicare into privatized plans, formerly called "Direct Contracting Entities" and now rebranded as "REACH," which stands for the misleading label, "Realizing Equity, Access, and Community Health."

How does REACH work?

The REACH program allows virtually any type of company (commercial insurer, venture capital investor, private equity firm, for-profit dialysis chain) to become a "Direct Contracting Entity" or DCE. This DCE can then organize doctors and hospitals into entities that have "aligned" members according to which doctors they see, similar to "Accountable Care Organizations" created under the ACA. Patients seen by doctors/hospitals who participate in these DCEs have no say in this, need not be notified of this enrollment, and generally do not know they have been put into a privatized program. CMS can then pay these REACH entities per member with capitation instead of paying providers of care directly with fee-for-service. Private investment resources can be used to offer higher pay for doctors to incentivize them to sign up with a REACH plan.

CMS promises patients will still have the same benefits and access to doctors as in Traditional Medicare, and they are offering REACH plans incentives to improve equity and access to care, hence the REACH acronym. Based on problems experienced with Medicare Advantage (MA), CMS is also capping the REACH plans' ability to upcode.

So what is the catch?

Private investors have no reason to offer free money to Medicare; they and their shareholders will expect return on investment within a few years. Consequently, they intend to impose strategies designed to maximize revenue, even if it is at the expense of the best interests of patients. Review of minutes of shareholder meetings for publicly-traded private-equity and insurance companies reveals that they are telling investors that they intend to use the same strategies that have made MA plans so profitable. These strategies include aggressive upcoding to make "aligned" patients within the DCE appear as sick as possible to beat risk-adjustment formulas. Indeed, some REACH plans are partnering with companies specializing in software designed to maximize coding intensity for exactly this purpose. They intend to pressure participating doctors with financial incentives and penalties to avoid referrals to specialists, even if this is at the expense of quality of care, and they can evict doctors from the plan who do not comply. They can impose restricted formularies and prior authorization policies, just like MA plans. These blunt measures have been shown to restrict necessary care as much as unnecessary care, and they have never been shown to improve quality of care. They also serve to discourage sicker patients from staying with REACH doctors, enabling the plan to "cherry pick" low-cost,

healthy patients and "lemon drop" high-cost sicker patients to secure a favorable risk pool, just as MA plans have done. Tellingly, REACH plans can keep as much as 40% of their revenue from CMS for administration and profit at the expense of patient care, in contrast with the 15% limit imposed on MA plans and the <3% of Traditional Medicare revenues used for administration!

Bait and Switch:

Compared to MA plans, REACH plans' profitability will be hampered by limits on their ability to upcode and to control referrals. However, REACH plan administrators know that CMS is committed to the model and they are counting on being able to persuade CMS to increase payments, as MA plans have done, and/or to change the rules to enable them to limit patient choice as MA plans already do. The end result will be full privatization of Medicare into competing Medicare Advantage plans, relying on denial-of-care, cherry picking/lemon dropping to secure favorable risk pools, and upcoding to the maximum allowed to maintain profitability. Physician participants in REACH plans will find themselves under intense pressure to serve the business goal of maximizing revenue at the expense of their patients' best interests and professional ethics, as is already happening with private equity ownership of physician practices.

For more information, we encourage you to sign up for the free webinar sponsored by the Protect Medicare coalition of dozens of Congressional allies and >250 health justice organizations on Monday, May 23, from 7-8 AM Hawaii time, on the dangers of privatization of Medicare and the DCE/REACH program.

Sincerely,

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