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How "DCEs" Jeopardize Care, Drive Up Costs, and Turn Medicare Over to Corporations

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What are "DCEs" and how do they undermine Medicare?

"Direct Contracting Entities" or "DCEs" are a direct assault on traditional Medicare. They are an "experiment" that, over time, could force **everyone in traditional Medicare**—people who have chosen government-run health care—into corporate-run healthcare.

Who's behind the DCEs?

The Trump Administration, originally through the Center for Medicare and Medicaid Innovation at HHS. Unfortunately, the Biden Administration appears to be continuing the program.

How do DCEs work?

Insurers and investors receive a flat dollar amount ("capitated fee") for each person they manage under Medicare. The less money they spend providing medical care, the more money they can keep for themselves. DCEs can spend **as little as 60 percent** of what Medicare pays them on medical care.

How do people on Medicare end up in a DCE?

Generally, through no choice of their own. If their doctor joins one of these corporate plans, the Centers for Medicare and Medicaid Services **automatically switches people** involuntarily—and often unknowingly—into a DCE. DCEs can also market their services.

What happens if someone is switched into a DCE?

The government no longer directly covers their health care. A corporation or other private entity is now in charge, and it maximizes profits by withholding and delaying care. DCEs will drive enrollees to their network providers to minimize people's care and costs. In turn, their providers benefit financially by following DCE treatment policies.

Theoretically, people in DCEs can see any Medicare provider they want. But their doctors will have a financial incentive not to refer them to out-of-network providers, and many people are unlikely to know they even have that right. People can also opt out of these plans, but they would need to find a new primary care physician.

Why do for-profit insurance corporations want to be DCEs?

Medicare is a massive money-making opportunity for the corporate sector. If corporations can take control of traditional Medicare, there are hundreds of billions of dollars to be made each year.

Why are DCEs bad for patients?

DCEs pit both the DCEs' and its providers' interests against patients' interests: DCEs create an incentive for doctors to withhold care from patients, rather than treat them effectively. In particular, capitated payments create an incentive **for insurers and investors to withhold care from people with serious health conditions in order to maximize profits**.

DCEs inject a large unaccountable for-profit bureaucracy between patients and doctors: There is little bureaucracy to manage with traditional Medicare. With DCEs, patients might have to deal with these bureaucracies. Even if not, their medical providers will, causing delay and difficulty for everyone.

DCEs rob patients of the choice to stay within the traditional Medicare system they chose: Many people choose traditional Medicare because it affords them the freedom to see the providers they want to see and to get the services they want and need. By forcing them into DCEs, this program effectively robs them of that choice.

Why are DCEs bad for the country?

Cost: Traditional Medicare costs less per-person than the private alternative, Medicare Advantage plans. DCEs will almost certainly cost more per-person than traditional Medicare.[1]

Health equity: Traditional Medicare, unlike DCEs and MA, is designed to **spread costs equitably across a large population and protect the most vulnerable enrollees with costly conditions**.

Accountability: Traditional Medicare operates transparently, permitting oversight and accountability. The public does not get the same transparency, oversight, or accountability from DCEs.

Access to quality care: A **disproportionate number of people leave MA** when they need costly care, including **at the end of life**. That's because corporate plans make it difficult for patients to receive quality care.

The DCE experiment can and should be stopped.

In 2021, there were 53 DCEs that could potentially control access to care for some 30 million people in traditional Medicare. CMS has refused to disclose the number of DCEs today or whether it is limiting the number of DCE enrollees. At a minimum, the DCE experiment should be paused. Congress gave CMS authority to experiment through CMMI, not to undertake a wholesale transformation of traditional Medicare that threatens care for millions of vulnerable Americans.

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1 One recent **NBER study** found that a $10.40 prescription drug copay increase for people with Medicare led to one in five dropping all their medications. It further found that a high percentage of those who dropped their heart and other life-saving medicines because of their out-of-pocket costs died of heart attacks, strokes and more.