

## Assembly Joint Resolution No. 4

### RESOLUTION CHAPTER 172

Assembly Joint Resolution No. 4—Relative to the Medicare Program.

[Filed with Secretary of State September 14, 2023.]

#### LEGISLATIVE COUNSEL'S DIGEST

AJR 4, Schiavo. Medicare: ACO REACH Model.

This measure would request the President of the United States to immediately end the Accountable Care Organization (ACO) Realizing Equity, Access, and Community Health (REACH) Model under the federal Medicare Program, with the stated goal of eliminating corporate profiteering and expanding consumer-directed access to care established through Traditional Medicare.

WHEREAS, For 57 years, the federal Medicare Program has been a vital part of the social safety net of this country, providing guaranteed health care for millions of seniors and people with disabilities who might otherwise be reduced to poverty by medical bills; and

WHEREAS, Unlike private insurers, Medicare generally allows patients to see any doctor who is enrolled in Medicare, and the program is able to keep its administrative costs to a minimum by generally paying providers directly; and

WHEREAS, According to a report by the State Department of Health Care Services, "Profile of the California Medicare Population," released in February 2022, the state's Medicare population grew 11.3 percent from approximately 5,800,000 beneficiaries in 2016 to approximately 6,500,000 beneficiaries in 2021; and

WHEREAS, California is experiencing a historic demographic shift; according to the state's Master Plan for Aging, nearly one-quarter of the state's population will be older adults and seniors by 2030, many of whom will require affordable and accessible health care services provided by Medicare; and

WHEREAS, Instead of filling the gaps in Medicare's coverage, the federal government has increasingly used Medicare funds to pay private insurance companies, significantly increasing its administrative costs, burdening doctors with extra paperwork, and providing new opportunities for fraudulent billing by private insurers; and

WHEREAS, In 2020, private insurers like Humana and United Healthcare charged Medicare over \$12,000,000,000, paying for diagnoses that were not actually treated; and

WHEREAS, The ongoing privatization has created a \$350,000,000,000 market that Wall Street and private equity firms are rushing to exploit,

undermining Medicare’s solvency and putting crucial decisions about patient care in the hands of private insurers, rather than doctors; and

WHEREAS, During the final months of the Trump Administration, the Global and Professional Direct Contracting (GPDC) Model was launched, intended to privatize Traditional Medicare by enrolling millions of Medicare recipients in private direct contracting entities (DCEs) without their consent, or even knowledge; and

WHEREAS, The DCE program was launched without congressional approval, oversight, or even discussion; and

WHEREAS, In early 2022, the Biden Administration responded to public protests of DCE by not ending it, but by making essential cosmetic and programmatic changes and rebranding it as the Accountable Care Organization (ACO) Realizing Equity, Access, and Community Health (REACH) Model; and

WHEREAS, The REACH payment model creates dangerous incentives to restrict care. Traditional Medicare pays doctors and hospitals directly for care, but the REACH payment model pays ACOs a monthly payment to cover a defined portion of each senior’s medical expenses. ACO participants are then allowed to keep as profit and overhead what they do not pay for in health services, a powerful financial incentive to ration seniors’ care; and

WHEREAS, The REACH payment model not only threatens seniors’ care; it would drain Medicare of billions of dollars of needed revenue each year. Traditional Medicare spends 98 percent of its budget on patient care, but REACH ACOs could spend as little as 60 percent of Medicare payments on care, keeping up to 40 percent of revenues for their own profit and overhead; and

WHEREAS, In January 2023, officials from the federal Center for Medicare and Medicaid Innovation (CMMI) informed the Board of Administration of the California Public Employees’ Retirement System (CalPERS) that REACH enrollment increased nationally from 1.8 million in 2022 to 2.1 million in 2023, a 16.7-percent jump, with 132 organizations (27 of them serving California enrollees) participating as REACH ACOs, many of which are owned by private equity groups. Additionally, CMMI officials informed the board, “there will not be any more than 132 organizations in the model, and most likely no more than 2.1 million beneficiaries ...”; and

WHEREAS, The statements from CMMI indicate a temporary moratorium on REACH expansion. However, the program enrolled 2.1 million Americans without their full knowledge or consent. Continued operation of the ACO REACH Model serves as a perpetual threat to Traditional Medicare, including the tens of millions of Traditional Medicare enrollees, until the program is terminated outright; and

WHEREAS, California represents at least 10 percent of the nation’s Medicare population, while at least 20 percent of all participating ACO REACH entities operate in California; and

WHEREAS, President Joseph Biden, throughout his career in public service, has uplifted older adults, seniors, and people with disabilities by

expanding access to health care. President Biden is duly credited for his efforts to pass the Affordable Care Act, which aligned federal funding to implement, and later expand, vital programs for millions of Californians. Furthermore, the Biden Administration has taken historic measures via Executive Order and legislation to make systematic improvements to America's long-term care infrastructure, including President Biden's unwavering support to protect and improve Medicare and Social Security; and

WHEREAS, It is within the power of the Biden Administration to end the program with a stroke of a pen; now, therefore, be it

*Resolved by the Assembly and the Senate of the State of California, jointly,* That the Legislature requests President Joseph Biden to end the ACO REACH Model immediately, thereby eliminating corporate profiteering and expanding consumer-directed access to care established through Traditional Medicare; and be it further

*Resolved,* That the Chief Clerk of the Assembly transmit copies of this resolution to the President of the United States, to the Secretary of the United States Department of Health and Human Services, to the Administrator of the federal Centers for Medicare and Medicaid Services, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, to each Senator and Representative from California in the Congress of the United States, and to the author for appropriate distribution.