



Medicare Direct Contracting:

A threat to seniors and the future of Medicare

pnhp.org/StopDCEs

What is Medicare Direct Contracting?

A pilot program launched late in the Trump Administration to **change the way that Medicare pays for seniors' care:**

Instead of paying doctors and hospitals directly, Medicare gives third-party middlemen called **Direct Contracting Entities** (DCEs) a monthly payment to “manage” seniors' care, allowing DCEs to keep as overhead and profit what they don't spend on medical services.



What is Medicare Direct Contracting?

**Traditional Medicare:
Pays Providers Directly**



What is Medicare Direct Contracting?

**Direct Contracting:
Pays Middlemen to Manage Care**



What is Medicare Direct Contracting?



UNDER THE RADAR:

Direct Contracting was developed by the Center for Medicare & Medicaid Innovation (CMMI), an obscure agency within Health and Human Services that has the **power to implement pilot programs and then scale them up without *Congressional approval*.**

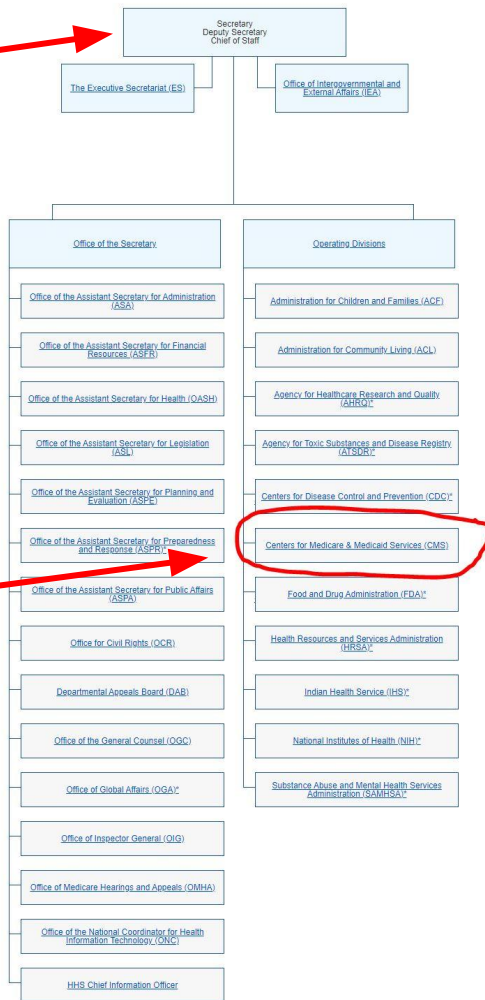


Secretary Xavier Becerra, appointed by President Biden

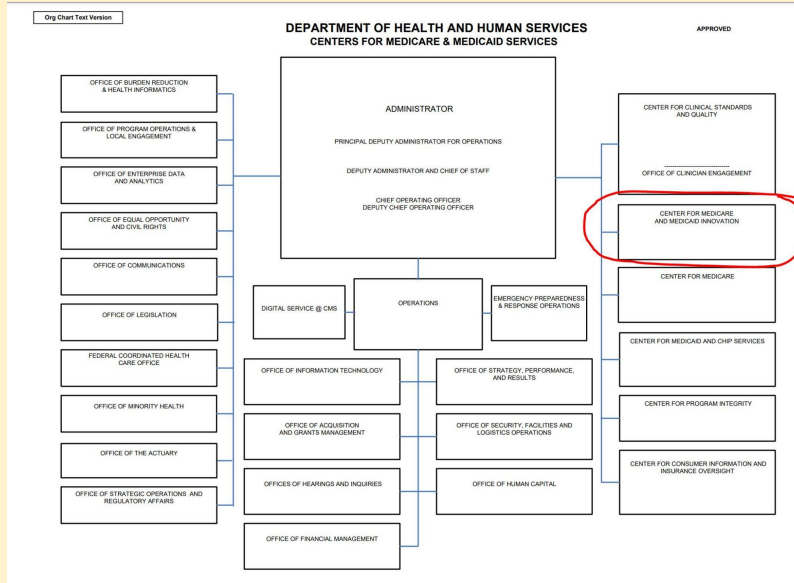
Centers for Medicare and Medicaid Services (CMS) manages Medicare

HHS Organizational Chart

Select an Office below to see specific organizational charts.



What is Medicare Direct Contracting?



Centers for Medicare and Medicaid INNOVATION

Mission: “The CMS Innovation Center fosters healthcare transformation by finding new ways to pay for and deliver care that can lower costs and improve care.”



Adam Boehler — a former roommate of Pres. Trump's son-in-law Jared Kushner — ran CMMI when Direct Contracting was first proposed in 2019.

But before CMMI, Boehler ran a startup called **Landmark Health**, which then became one of the first DCEs to contract with Medicare.

What is Medicare Direct Contracting?

- Starting in April 2021, 53 DCEs operate in 38 states, DC, Puerto Rico
- Virtually any type of company — *regardless of health care experience* — can apply to be a DCE, including commercial insurers and venture capital investors. **Applicants are approved without input from Congress.**



Meet the ilumed Team

Source: <https://ilumed.com/about-ilumed/our-team/>

Ilumed is a new DCE. Note that only one member of their leadership team is a health professional (RN).

What are Direct Contracting Entities?

Top 2 news items at ilumed:

- Just recruited a chief medical officer away from insurance giant Humana.
- Pulled in **\$16.5 million** from new investors.

[Approach to Healthcare](#)[Services](#)[DCE For Clinicians](#)[DCE For Patients](#)[Resources](#)[About Ilumed](#)

Ilumed Announces Appointment of David J. Priscal, M.D., As Chief Medical Officer

In this role, Dr. Priscal will oversee ilumed's clinical programs and services designed to enable its physician partners to deliver improved healthcare outcomes for patients while driving down costs.

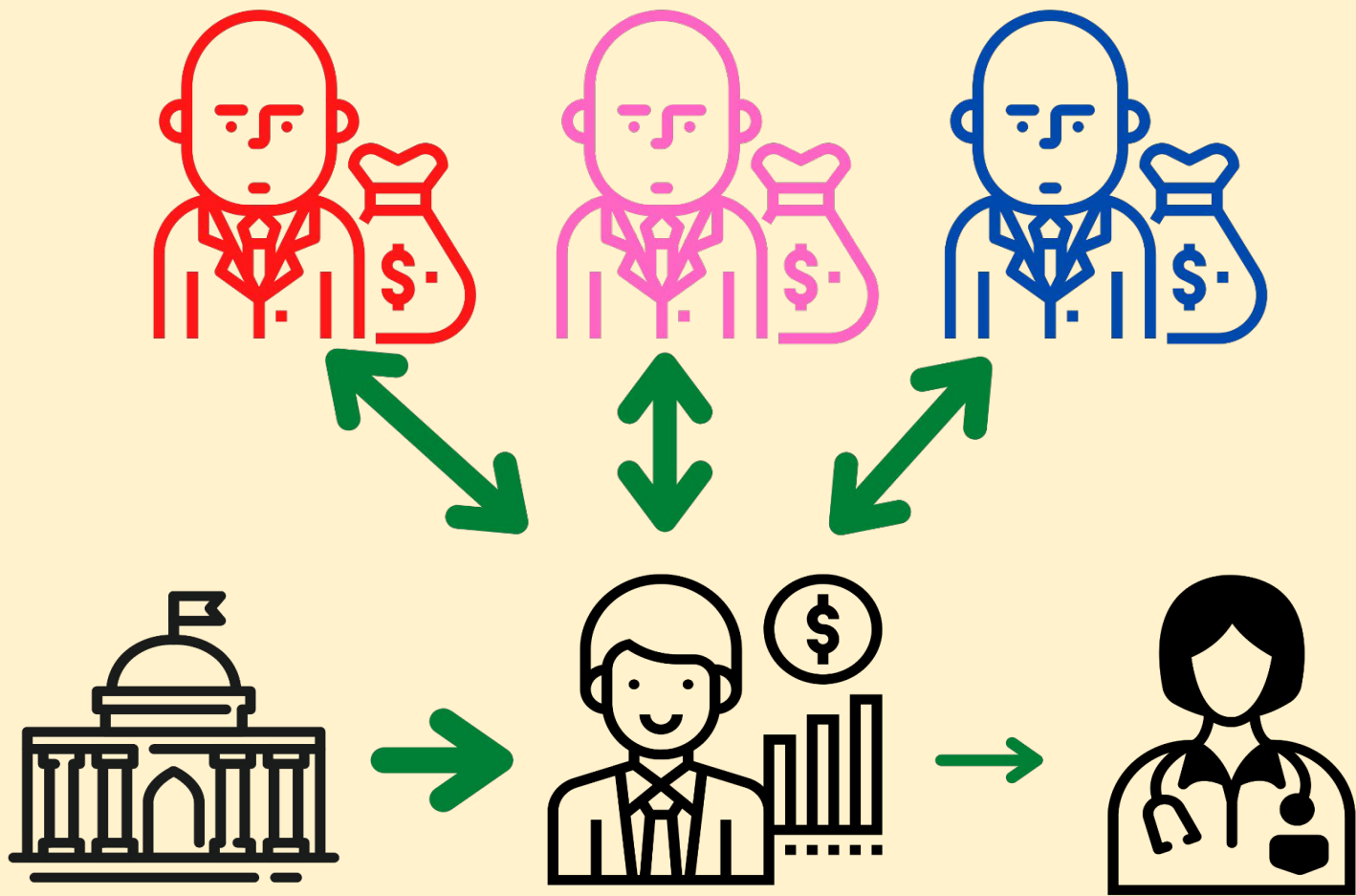
[Learn more →](#)



Ilumed Raises \$16.5 Million Series A Financing

Financing round was led by Ascend Partners with participation from several angel investors. ilumed plans to double its clinician base and increase its number of covered Medicare beneficiaries more than six-fold in 2022.





How do Direct Contracting Entities make money?

- 1. Maximize revenue from Medicare**
- 2. Minimize revenue spent on patient care**

How do Direct Contracting Entities make money?

UPCODING: By making seniors look sicker than they are, DCEs can get higher monthly payments from Medicare, regardless of how much care patients actually receive.

Typical Coding	SCORE
Baseline for Age: 76 yo female	.45
Obesity	0
Type 2 Diabetes	.104
Major Depression	0
Congestive Heart Failure	.323
Asthma	0
Ulcer (unspecified)	0
Cong. Heart Failure*DM	.154
TOTAL RISK SCORE	1.03
Medicare annual payment to DCE	\$9,000

UPCODING	SCORE
Baseline for Age: 76 yo female	.45
Morbid Obesity	.273
Type 2 Diabetes w/ retinopathy	.318
Major Depression, single ep, mild	.395
Congestive Heart Failure, Class 3	.323
COPD	.328
Ulcer, Stage 3	1.204
Cong. Heart Failure* DM, COPD	.154, .19
TOTAL RISK SCORE	3.63
Medicare annual payment to DCE	\$32,000

How do Direct Contracting Entities make money?

Direct Contracting Entities are allowed to keep as profit and overhead what they don't spend on medical services —

A dangerous incentive to ration and restrict seniors' care.

These financial incentives DO NOT EXIST in Traditional Medicare.



Why should we stop Medicare Direct Contracting?

Threatens Medicare's solvency



**Threatens seniors' health
& health care choices**



Why should we stop Medicare Direct Contracting?

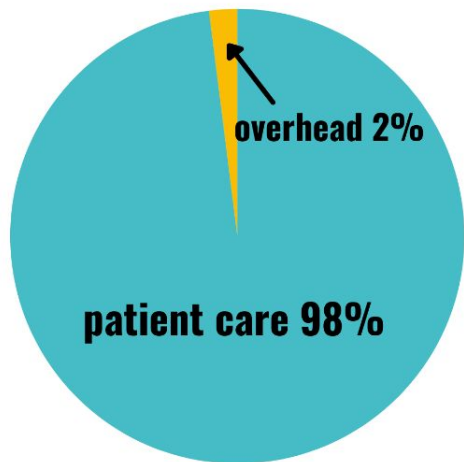
Direct Contracting threatens Medicare's solvency.

While Traditional Medicare spends 98% of its budget on patient care (2% overhead), Direct Contracting Entities may only spend an **estimated 60% of what Medicare pays them on patient care, keeping 40% as overhead and profit.**

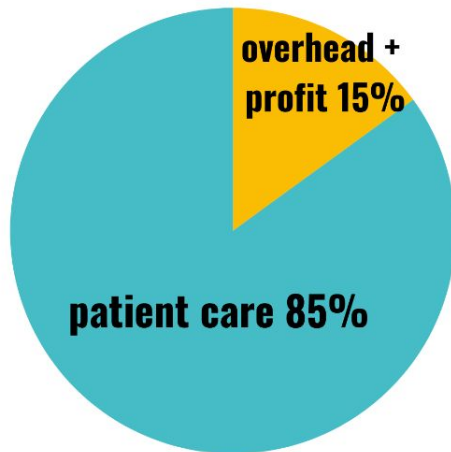
Direct Contracting threatens Medicare solvency

DCEs may spend as little as 60% of Medicare revenue on patient care

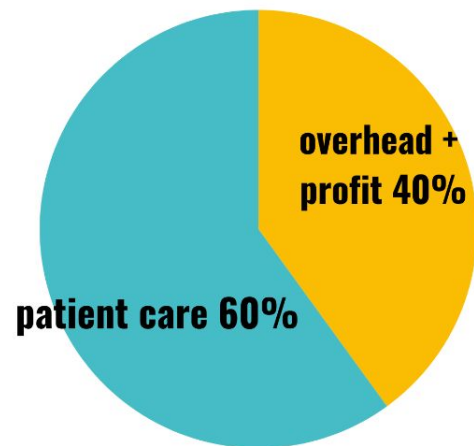
TRADITIONAL MEDICARE



MEDICARE ADVANTAGE



DIRECT CONTRACTING ENTITIES



Why should we stop Medicare Direct Contracting?



Undermines seniors' choices:

Up to 30 million seniors who actively chose
Traditional Medicare may be automatically “aligned”
with a DCE, without their full knowledge or consent.

Why should we stop Medicare Direct Contracting?

If a senior's primary care physician is part of a DCE, CMS will automatically "align" the senior with that DCE.

The senior may get a form letter like this — which most of us would toss in the trash.

Cascadia Community Care Alliance
1115 SE 164th Ave
Vancouver, WA 98683
1-844-606-1756

REQUIRED ANNUAL NOTICE: NO ACTION NEEDED

Dear K [REDACTED]

We are writing to let you know that your doctor is a part of Cascadia Community Care Alliance, a Medicare Direct Contracting Entity (DCE) participating in a program within Medicare.

Your Medicare benefits have not changed. Your doctor asked Cascadia Community Care Alliance to help see that you get the right care at the right time. You still have the freedom of choice to go to any doctor, hospital, or other healthcare provider of your choice that accepts Medicare.

A DCE is a group of doctors, hospitals, and other healthcare providers who agree to work together to keep you healthy. All members of Cascadia Community Care Alliance agree to work together to see that you get the right care at the right time. We will help everyone work together to give you better care. We will coordinate your care according to your individual medical needs and treatment choices. We will protect your medical records and privacy. We will work to reduce duplicate tests and duplicate paperwork that cost you time and money. To see a list of the doctors and other groups that work with us, visit our website at: www.PeaceHealth.org/DCE

Doctors who are part of a DCE find that they are able to give their patients better quality care. **Your Medicare benefits have not changed.** You may still go to any doctor, hospital, or other healthcare provider that accepts Medicare. However, because your doctor is now connected with Cascadia Community Care Alliance, some special features may be available to you at no extra cost. These special features are referenced below. For information about any of these features, please ask your doctor or healthcare provider.

Why should we stop Medicare Direct Contracting?

When a senior is auto-aligned to their doctor's DCE, the only way to opt out of the DCE is

change primary care physicians —

which is especially difficult for seniors in rural or other underserved areas.

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Why should we stop Medicare Direct Contracting?

Asking seniors to
change primary care
physicians **undermines**
Traditional Medicare's
promise of free choice
in provider.

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Why should we stop Medicare Direct Contracting?

A radical transformation of Medicare:

The Center for Medicare Innovation plans to expand Direct Contracting to all of Traditional Medicare within a decade.

- **Aim:** Increase the number of beneficiaries in a care relationship with accountability for quality and total cost of care.
 - **Measuring Progress:**
 - All Medicare FFS beneficiaries will be in a care relationship with accountability for quality and total cost of care by 2030.
 - The vast majority of Medicaid beneficiaries will be in a care relationship with accountability for quality and total cost of care by 2030.
- 

Why should we stop Medicare Direct Contracting?

Won't Congress try to stop it?

- Until recently, most members of Congress had never heard of Direct Contracting.
- — In January, 54 members of Congress sent a letter to HHS demanding an end to the program.
- Now, DCE owners and investors are fighting back to protect their profits.



How do we stop Direct Contracting?

For individuals:

- Sign and share our petition to stop Direct Contracting: pnhp.org/DCEPetition
- Write a letter-to-the-editor in your local news outlet. Visit pnhp.org/stopDCEs for guidelines



✓ ACTIVATE:

How do we stop Direct Contracting?

For organizations:

- Sign on to our letter against Direct Contracting
- Share the petition to stop Direct Contracting with your members: **pnhp.org/DCEPetition**





Learn more about Direct Contracting and
the fight to protect Medicare:
pnhp.org/StopDCEs