

Insurers Pursuing Billions in Medicare Profits Make Big Contributions to Candidates Backing Ryan Budget

Public Campaign Action Fund and Health Care for America Now
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During the height of debate over the Affordable Care Act, America's Health Insurance Plans (AHIP) publicly appeared to be negotiating with Democrats and the Obama administration while its members [were secretly funneling](#) more than \$100 million to the U.S. Chamber of Commerce to oppose the legislation.

When Republicans won back the House Majority in 2010, insurance interests again took center stage when the House twice passed Rep. Paul Ryan's (R-Wis.) budget plan that would turn Medicare into a voucher program that would deliver billions in new profits to health insurers while devastating a critically important program for America's seniors.

A new analysis by Public Campaign Action Fund (PCAF) and Health Care for America Now (HCAN) shows that the same insurance interests that would benefit from a voucher program are filling the campaign coffers of Medicare privatization supporters, raising questions about whether these members of Congress are really working for their constituents or big insurance donors.

How Insurance Companies Benefit from the Ryan Plan

A voucher program designed by Ryan and embraced by Republican presidential candidate Mitt Romney would be a boon to insurance interests by moving millions of seniors who join Medicare after 2022 into private plans partially funded by government vouchers.

Vouchercare would give insurers vast flows of new revenue and increase health insurance company profits by \$16 billion to \$26 billion in 2030. Here's how Harvard economist David Cutler [described](#) it:

According to the CBO, people aged 65 in 2023 (the first year of the voucher) are expected to account for 4 percent of the \$1.23 trillion in Medicare spending anticipated in that year ... An estimated \$31 billion in Medicare funds would be newly available to private plans in 2023. The GAO has estimated that insurers earn profits of between 4.1 percent and 6.6 percent on revenue. Thus, the newly available private insurer revenues would generate private profits of \$1.3 [billion]–\$2.1 billion in 2023. These profits would quickly

mount. By 2030, new profits for private insurers would be as high as \$16 [billion] to \$26 billion.

The year 2030 may sound far off, but health insurance companies and Wall Street investors would see an immediate payoff if backers of Medicare privatization were to win big in November. A Romney-Ryan victory coupled with a Republican takeover of the Senate would boost health insurance company stock prices by 10 to 20 percent, according to Citigroup analyst Carl McDonald. Based on share prices on Aug. 18, the day McDonald published his report, a GOP sweep in Washington would quickly jack up the total market value of the 10 largest health insurers by \$12 billion to \$25 billion. Here's how McDonald [sees it](#):

We've argued that in the scenario where Mitt Romney wins the presidential election and Republicans take the Senate, the managed care group rises 10-20%, as the market factors in the likelihood that health reform implementation is delayed, scaled back, or that pieces are removed entirely, pushing up earnings forecasts in 2014 and beyond. We think the argument for how much the stocks could move is strengthened by the selection of Paul Ryan as the Republican vice president candidate, given Ryan's widely publicized proposal to essentially privatize the federal Medicare program. Ryan has talked about changing the reimbursement methodology for Medicare Advantage plans, which creates some uncertainty, but that negative would be more than offset by a major increase in Medicare revenue if the bulk of the seniors in the country were ultimately moved into a private plan.

Industry Influence

Rep. Paul Ryan's insurance industry ties are well known. Right after his selection as Romney's running mate, [Bloomberg News reported](#), "Insurance employees and their families have given \$815,328 to Ryan's election efforts over his career, more than any other industry." These donations include those made to his leadership committee as well as his campaign account.

At the top of the ticket, Governor Mitt Romney has raised nearly \$2.7 million from the industry compared to \$1.5 million for President Barack Obama.

But Ryan isn't the only House member raking in industry campaign cash. The supporters of his budget plan are the top recipients of the insurers' largesse, according to Public Campaign Action Fund analysis of data from the Center for Responsive Politics.

The analysis below includes donations from the political action committees (PACs) and employees of insurance companies and health maintenance organizations (HMOs) to the members' campaign committees. Leadership PACs are not included but would drive these numbers higher.

- Current U.S. House Members who voted for Ryan’s budget plan to turn Medicare into a voucher program have received nearly twice as much insurance industry campaign cash this cycle as those who voted against the bill. Supporters of the bill have received at least \$14 million this cycle from the industry while opponents received \$7.4 million.
- On average, individual supporters of the plan received 53 percent more money in the 2012 cycle than opponents – \$60,472 to \$39,435.
- More broadly, supporters of Ryan’s plan have received \$49.7 million in contributions from insurance interests during their time in Congress, nearly \$12 million more than opponents, who have received \$38 million.
- Eight of the top 10 recipients of insurance industry money this cycle are Ryan plan supporters – including every member of House Republican leadership.
- House Majority Leader Eric Cantor (R-Va.) is the top recipient of industry cash this cycle in the House, bringing in \$463,000 from the industry for the 2012 election and nearly \$1.7 million over his career.
- Members of the leadership team – Speaker John Boehner (R-Ohio), Majority Leader Cantor, Majority Whip Kevin McCarthy (R-Calif.) and Conference Chair Jeb Hensarling (R-Texas) – have received a combined \$1.4 million in contributions in 2012 and \$5 million over their careers.

A full table of insurance and HMO contributions received by members supporting the Ryan plan is available online at <http://campaignmoney.org/reports/insurance>.

An army of industry lobbyists backs up all of these donations. Since 2011, insurance interests and HMOs have spent a combined \$344 million lobbying Congress and federal agencies.

The Federal Election Commission estimates that \$6 billion will be spent on the 2012 election, making it the most expensive in history. Much of that money is being spent by wealthy special interests that want to see their preferred candidates elected in order to pass legislation beneficial to them or block bills they don't like. Insurance executives and their companies are a prime example, and they are also likely spending millions more on secret donations to groups like the US Chamber of Commerce.

When the insurance industry buys its preferred policies at the expense of everyday people, it highlights the problem with our current campaign finance system, in which elected officials have to make voting decisions based not on just what's best for their constituents, but what's best for their campaign bank accounts. And everyday Americans pay the price.