

# Direct Contracting: Quietly Handing Medicare to Wall Street



The Center for Medicare and Medicaid Services “[Innovation Center](#)” recently [announced](#) that **by 2030, they will move all Traditional Medicare enrollees into a “care relationship” with a 3rd party middleman**, without seniors’ knowledge or consent, and without Congressional oversight.



## What is the Medicare Direct Contracting (DC) Program?

DC is a pilot program that aims to enroll every Traditional Medicare beneficiary into a third-party “Direct Contracting Entity” (DCE). Instead of paying doctors and hospitals directly for care, Medicare gives DCEs a monthly payment to cover a defined portion of each seniors’ medical expenses, allowing DCEs to keep as profit what they don’t pay for in care. Virtually any type of company can apply to be a DCE, including commercial insurers, venture capital investors, and even dialysis centers. Applicants are [approved](#) by CMS without input from Congress.

## How do DCEs make money?

First, because Medicare pays DCEs more money for sicker patients, DCEs have a strong incentive to engage in a type of fraud called “upcoding,” meaning they [exaggerate](#) — or falsify — seniors’ diagnoses. Second, DCEs are allowed to keep as profit and overhead what they don’t pay for in health services, a dangerous financial incentive to restrict seniors’ care. Former CMS Administrator Dr. Don Berwick and former CMS Innovation Center director Dr. Rick Gilfillan [estimate](#) that DCEs may spend as little as 60% of Medicare payments on patient care, keeping 40% as overhead and profit.

## How are Medicare beneficiaries enrolled in DCEs?

Seniors in Traditional Medicare may be “auto-aligned” if their primary care physician is affiliated with that DCE. CMS automatically [searches](#) two years of seniors’ claims history — without their consent or knowledge — to find *any visits* with a participating DCE provider as the basis for aligning them with that DCE.

## Why haven’t I heard about DCEs?

Most doctors, seniors, and even members of Congress have not heard of the DC program for a good reason. It was created during the Trump Administration by the CMS “[Innovation Center](#),” whose mission is to test and implement health payment models *without* Congressional approval.

## What happens next?

The DC “pilot phase” includes [53 DCEs](#) in 38 states, potentially covering [30 million](#) of the 36 million Traditional Medicare beneficiaries. If left unchecked, DCEs could essentially privatize Traditional Medicare within the next few years. A new grassroots [movement](#) has formed to stop DCEs. Thousands of doctors and other advocates have signed a [petition](#) demanding that Secretary of Health and Human Services Xavier Becerra halt the DC program, provide real oversight of CMS’ Innovation Center, and protect Medicare for future generations.

