

In Brief: Future of Medicare: Report on Expert Views

Retirement of the Baby Boom generation, the rising cost of health care, and the need to improve health care services for seniors raise critical questions about the future of Medicare. How can Medicare deliver better care, how can it operate more efficiently, and how can its financial viability be assured? AARP's Public Policy Institute asked 20 nationally recognized health policy experts—with views ranging from liberal to conservative—to address these questions.

How to Improve Medicare

Experts consulted for this report identified a number of options for improving the care Medicare delivers and boosting efficiency of the program. Their recommendations include efforts to:

Expand chronic care coordination—Medicare should improve care coordination as quickly as possible by testing ways to pay physicians and other practitioners for managing the care of fee-for-service patients with chronic conditions. Medicare should test the “medical home” model for assisting patients with multiple chronic diseases. This model can be used by individual practitioners and small groups of physicians as well as large group practices. The program also should explore how various care coordination models affect quality of care, patient outcomes and program costs.

Increase the use of most effective treatments—Proven methods for most effectively treating many common conditions are widely known, yet far from universally followed. Medicare should encourage greater use of such “evidence-based medicine.” Some experts suggest that adherence to well established clinical guidelines should be made mandatory, or at least linked to financial incentives that would strongly encourage their adoption. The federal government should also support development of information on the comparative effectiveness of treatments. A federal office should be established with technical capabilities to assess health care technologies and practices and to help translate research results into every day practice.

Reduce waste of resources—Experts generally agree that Medicare needs to address inefficient use of resources. Studies show huge differences in use of medical services around the country, but generally do not show that higher spending in a region corresponds to better health outcomes. Experts also agree that Medicare might apply greater pressure on providers in high-utilization areas to operate more efficiently, particularly those who are “outliers.”

Restructure benefits—Most experts call for comprehensively re-thinking the fairness and efficiency of the Medicare benefit structure. Many suggest “rationalizing” cost sharing by providing better financial protection with a catastrophic cap on out-of-pocket spending, at least for low and moderate income beneficiaries; combining deductibles for Parts A and B; and reducing the attractiveness of Medigap policies. Several experts suggest that Medicare adopt differential co-payments and coinsurance depending on “clinical need.” For instance, patients with chronic illness should face a lower co-payment for drugs and follow-up care than low risk patients.

Adopt new ways of paying for services—Suggested approaches include bundling payments, such as including physician services together with inpatient hospital payments or bundling payments for acute and post-acute care to create greater accountability for hospital re-admissions. Another approach would be to allow traditional Medicare to selectively contract with preferred provider networks, such as centers of excellence or networks based on provider quality.

Reduce congressional micro-management—Several experts suggest that the Medicare program should be insulated from individual congressional requests for coverage of specific new technologies and from legislation favoring narrow, special interest groups that limits the ability of program managers to promote overall program interests. Congress should continue to set broad policy guidelines and remain accountable for the overall performance of the Medicare program. At the same time, increased funding for federal health care agencies, particularly the Centers for Medicare and Medicaid Services, is necessary to improve administrative efficiency.

How to Pay For Medicare

All experts interviewed agreed that Medicare is under severe financial strain and that these financial pressures are likely to intensify over time. All agreed that the sooner steps are taken, the easier it will be to address the program's financial situation.

All said that there is little “low hanging fruit” to be picked or “silver bullets” in terms of cost controls that are likely to dramatically slow Medicare spending, at least in the short term. Many of the tools they suggested have been available for some time but are not being used effectively, in some cases due to political limitations and/or budget constraints. However, there was no consensus among the experts as to what steps should be taken and when.

Views on the implications of the financial pressures tended to fall into two different camps. One group referred to Medicare's financial situation as a staggering problem. A larger group of experts tended to characterize the situation as less urgent and more in need of political will to raise revenues for a program that is otherwise affordable.

More than one attributed the problem to growth in health care costs, in general, rather than to an isolated Medicare problem or the result of an aging society. Several experts identified the addition of new medical technologies as the primary driver of the growth in health care costs.

Sources of financing that were most frequently suggested included income taxes and other general revenue (such as corporate taxes, estate taxes and repeal of recent tax cuts). Taxes that are used to deliver progressive benefits but may be relatively regressive were also mentioned (e.g., payroll taxes and value added taxes).

Methodology

AARP interviewed 20 experts in mid-2006 whose views might counter-balance each other from the perspective of their professional expertise (i.e., economics, law, medicine) and political outlook (i.e., liberal, moderate, conservative). This is not a random survey and our findings should not be construed as representative of the views of all health policy experts. Experts interviewed for this study included, among others, Robert Berenson MD (Urban Institute), Mark Chassin MD (Mount Sinai Medical School), Timothy Jost (Washington and Lee Law School), William Roper, MD (University of North Carolina Medical School), Joseph Newhouse (Harvard University), and William Scanlon (Consultant).

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