



Council on
Health Care
Economics and Policy

THE 20TH PRINCETON CONFERENCE
THE U.S. HEALTH CARE SYSTEM IN TRANSITION

MEDICARE SOLVENCY

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THE SOLVENCY CLIMATE

Good reasons to be skeptical of current cost control:

- Congress unlikely to act as advertised.
- Slower cost growth? Mirage or excuse?

TIME FOR LONG-TERM BUDGET IN MEDICARE

- “Mandatory” and “discretionary” distinction untenable.
- Need pressure for delivery system reforms.
- Long-term Medicare budget accepted in ACA, premium support, etc.

3 BASIC APPROACHES

- Distribute budget to providers.
(Canada, UK)
- Independent commission approach.
(e.g. IPAB)
- Beneficiary control approach (e.g. premium support).

INDEPENDENT COMMISSION

- Relies on “micro” pricing and regulatory tools.
- Decision-making outside control of public and representatives.
- Would need stronger IPAB powers.
 - Greater independence?
 - Use of effectiveness data?
 - Powers over private sector?
 - Power to enact broad reforms?

BENEFICIARY CONTROL

Aims to balance 3 objectives:

- Budget and unfunded obligations.
- Financial risk to seniors, workers, children.
- Realistic pressure on system to innovate.

KEY DESIGN ISSUES

- Benchmark contribution.
- Risk adjustment.
- Information and protections (c.f. FFS).
- Future of FFS.
- Index for future growth.