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.