

## 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.