

Transcript Details

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ReachMD

www.reachmd.com
info@reachmd.com
(866) 423-7849

Novel Solutions to Financing Medicare's Health Benefits

NOVEL SOLUTIONS TO FINANCING MEDICARE HEALTHCARE BENEFITS

Our presidential election is only days away. Fought eight million people in America are uninsured and healthcare costs are arising 2 to 3 times faster than our nations GDP. Where will America's healthcare system be in 5 years. Welcome to Reach MD monthly series to Focus on Public Health Policy. This month we explored many questions facing healthcare today.

Albert Einstein said we cannot solve our problems with the same thinking we used when we created them. Do we need an Einstein to solve Medicare's pending insolvency. You are listening to Reach MD XM157, The Channel for Medical Professionals. Welcome to the Clinician's Roundtable. I am your host, Dr. Bill Rutenberg and with me today is

Dr. Thomas Saving.

Dr. Saving is the university distinguished professor of economics and director of the Private Enterprise Research Center both at the Texas A&M University. Dr. Saving has been a Trustee of the Social Security and Medicare Trust Fund since 2000. He is co-author of the book, the diagnosis and treatment of Medicare. Today, we are discussing Dr. Saving's novel solutions to financing Medicare Healthcare benefits.

DR. RUTENBERG:

Welcome Dr. Savings. It is a treat to have you with us again at the Clinician's Roundtable.

DR. SAVING:

It is great to be here Bill.

DR. RUTENBERG:

Well, I am putting up today with Einstein. So, you have something that you have been working on at the institute as a Medicare trustee. What needs to be done now to change the way we are funding this system.

DR. SAVING:

I think fundamentally we have to make individual consumers care what it costs while at the same time handling what we might refer to as a social insurance problem. That is that some individuals are sicker than others, and we have to find a way to give them the amount of funding that it takes by giving them the incentive to shop for what they buy, and at the same time it gives the providers the incentive to for example to specialize in certain aspects and we can think of diabetes for example and one of the big issues has been that is the CMS, who are the people who run you know the Medicare and Medicaid programs. One of their big issues and I remember that when Mark McCollum was there. Mark and I talked about this using disease management. They have got wonder outcomes from disease management.

DR. RUTENBERG:

Yes, I remember that.

DR. SAVING:

Yeah and what disease management is as you know and the most of your listeners do is that individuals are going to take care of themselves in a way that is going to reduce costs and in my response to Mark and everyone I said that is only going to work if you incentivise the patients to take care of themselves and the providers have to be incentivised and HMOs are clearly incentivised to try to get their customers to take care of themselves because that is going to directly lower their cost, but it is not clear that it is in the customer's interest to do that and we have to find a way to do that, and I think we do that with something like the significant expansion of health savings account where the individuals at the end of the year the money that they don't spend on healthcare is their money and they can spend it anyway they want to. They can go on buy computer with it. They can buy a new care. They can do anything that they want with it. That means that every dollar they spend during the year is theirs. Even though we have given it to them at the beginning of the year it is their money and they are going to go in when they come to see you, for example, with their children when ask you what is this going to cost and what are the options. What are my options. What if you give me you're a prescription. What happens if I don't take it. That is a piece of information that is important for them to know just as when I go to get their car work done and says you need not do air filter and it is going to you cost you 30 dollars and you say what happens if I don't get one and what is going to happen. If you ever listen to car talk on the weekend and you hear the Tappet brothers are always telling people whether this is important repair or its not, and I think that is what individuals need to know and that is what they be asking because it is their money.

DR. RUTENBERG:

But if it was their money where our mother's say, save it for a rainy day. Do you think people really got to save it for a rainy day or at the end of the year they are going to go. Well, I got this windfall profit". I am going to go get myself a new color TV.

DR. SAVING:

Well, they are to be able to do that. That's my point.

DR. RUTENBERG:

But then what you are going to do with them when they are 65 and broke.

DR. SAVING:

The house savings account this what something that will happen every year. So, the money there is left over is yours, but each year it is your money, but now you are asking a different question which is what do we do, how do we get people to prepare for the fact that they are going to retire at sometime or another, and I think that is really important issue and that means we are going to have to somehow establish part of your Medicare taxes should be used to build up where we might refer to as a health insurance account. That at the end of the time when you get to retirement, you are going to have a flow of funds and that flow of funds the way we try to look at it is that is going to be your deductible and that money, that is your money, in each year you are going to have this annuity that you have accumulated during your lifetime just as you pay taxes now, these taxes are going to account the belongs to you, and at the end just your social security, you get a monthly payment from it. That is your deductible, but if you don't spend the money by the end of the year, this is for healthcare, but at the end of the year if you haven't spend it, it is yours to spend on anything you also want to. Now, once you get beyond the deductible, then what is left of Medicare would be picking up the tab, but all the way up to this deductible, which will be significant by the time you get to say people, who are born in 1970 by the time, they would retire because those people are only 38 years old now. When they get to 65 the higher earners according to this symptoms would be paying for 90% of their healthcare the first year after they retire. Low income people will only be paying for 30%, but everybody would care what it costs and everyone would be viewing this, and I think you as a provider they would want to know what is this going to cost me and they might make comparisons. You might have to <____> advertise your prices the way the LASIK surgery people do. One of my board members is radiological oncologist at MD Anderson, and I would say I dream I am driving in Houston and I see a big sign that says come to MD Anderson 95% dollars a day everything included. The point is that how LASIK surgery is advertised. You see the sign and the price is big. That is important.

DR. RUTENBERG:

What good would it be for me as a Medicare provider to advertise my prices when they are fixed by the Medicare fee schedule?

DR. SAVING:

The Medicare fee schedule under this reform has to be gone. No more Medicare fee schedule.

DR. RUTENBERG:

So under your system of redefining and redesigning Medicare, there would be no fee schedule.

DR. SAVING:

That's right. Med packet will be gone. Individuals are buying it just like there is no fee schedule for anything else that you buy. You walk into best buy, there are any fee schedules. The fee schedules are going to be determined by the market, but the prices would be real and so you would know what it was when you went in, for example hospitals will compete and there is hospital in Pennsylvania that guarantees your heart surgery. If you have to go back in, they pick up the tab. So, you know what is going to cost you. They cannot get reimbursed for Medicare for that, but you are in a real market that is exactly what things will be. We are going to do quadruple bypass for you. If you have to come back, if you have to...

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