

## Medicare cures won't fix costs

By Jim Landers

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WASHINGTON — Republicans and Democrats agree that regaining control of the federal budget means finding a way to curb health care costs.

Republicans, under the plan of U.S. Rep. Paul Ryan of Wisconsin, are asking seniors to take charge of curbing the costs of their own health care. President Barack Obama would have a federal board restrain Medicare prices.

Both approaches would reduce the government's Medicare bill by trillions of dollars over the next 20 years. But neither is likely to reduce the overall cost of care.

“The huge inconvenient truth is, you cannot hold health care expenses for the elderly down if you don't hold health care expenses down for everybody else,” said John Goodman, president of the Dallas-based National Center for Policy Analysis.

Ryan, the chairman of the House Budget Committee, has argued for several years that younger Americans must accept a new social contract for Medicare. Instead of a defined benefit plan in which the government guarantees treatment regardless of cost, Ryan would create a defined contribution plan guaranteeing a portion of the cost of treatment.

The shift is similar to what's happened to most American pensions. Companies have moved from employee pensions set at a percentage of income to retirement contributions collected in 401(k) or similar savings plans.

Ryan's approach, approved by the House earlier this month as part of its fiscal 2012 budget resolution, would move Americans under the age of 55 to a Medicare defined contribution system. Once those Americans reached retirement age in 2022, the government would provide about \$8,000 a year toward the cost of a health insurance policy available in a special Medicare market.

An analysis by the nonpartisan Congressional Budget Office estimated that \$8,000 would cover only 39 percent of what a 65-year-old would pay for medical care.

Seniors would be able to buy more insurance with their own money, or pay themselves for more of their health care.

At the moment, the federal Center for Medicare and Medicaid Services determines what it will pay for thousands of medical procedures. Hospitals and doctors accepting Medicare patients agree to those rates.

Private insurance companies negotiate payments with health care providers. Much of the time, those payments include what the providers say are costs that aren't adequately covered by Medicare reimbursements — a process called cost shifting.

Under Obama's Independent Payments Advisory Board, Goodman said, cost shifting would either soar or Medicare patients would get lower-quality care.

The Ryan plan ([budget.house.gov/fy2012budget/](http://budget.house.gov/fy2012budget/)) argues that "putting patients in charge of how their health care dollars are spent will force providers to compete against each other on price and quality."

Today, patients don't play a role in setting health care prices. Under many private insurance policies, patients pay extra for going outside the insurance policy's preferred provider or HMO networks.

Both Medicare and privately insured patients also pay deductibles and co-pays designed to alert consumers to the cost of their care.

Grace Mastalli, chief counsel and operating officer of the National Coalition on Health Care, said consumers need price and quality information to shop among competing providers. And that information is generally not available.

"Competition is a critical piece of lowering health care costs, but you won't get that with \$8,000 vouchers," she said. "Not yet. And not in the time frame of the proposed budget overhaul."

Goodman dismissed both the Ryan and Obama plans.

"None of this may ever happen, including the Obama approach," he said. "What I tell Congress is that in just three years, they are going to hear from massive numbers of senior voters who can't find doctors willing to accept Medicare."