

# The Dallas Morning News

## Reducing Retirees' Health Care Costs May Be Up To You

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WASHINGTON – Want a retirement savings strategy?

Quit smoking. Eat healthy. Lose weight. Exercise 30 minutes a day.

These steps are likely to reduce your consumption of health care, and that is a financial imperative.

Fidelity Investments estimates a 65-year-old couple retiring this year will need \$240,000 for medical expenses *beyond* what Medicare covers. That's up 6.7 percent on Fidelity's 2008 estimate of \$225,000.

Medicare is already spending more than it collects in payroll taxes. To put just the program's hospital coverage on a sound footing, payroll taxes would have to more than double – from 2.9 percent (split between employer and employee) to 6.78 percent.

Last week's report from the Social Security and Medicare Trustees warns that the cost of health care is climbing so fast that Medicare costs will eclipse Social Security in less than 20 years.

### Long-range forecast

By 2083, the report forecasts, Medicare expenses will absorb 11.4 percent of the economy.

The Private Enterprise Center at Texas A&M predicts overall health care costs by then would consume more than two-thirds of all spending in the U.S. economy.

"If the country is wealthy enough, it may want to spend all of its growth on living longer," said Thomas Saving, the center's director. "We know that's not going to happen, but it gives you a feel for the magnitude of the problem."

One week ago, health care executives trooped to the White House to say they would save \$2 trillion over the next decade by curbing costs 1.5 percent a year.

Has the supply side of our health care economy stepped up with a plan to save the day?

The question brings a chuckle even from John Goodman, guru of supply-side health care economics and head of the Dallas-based National Center for Policy Analysis.

"We've seen those promises before, under Nixon and Carter," Goodman said. "It involves lots of people saying, 'We are not going to do things that are in our self-interest.'"

Even so, Goodman argued health care providers offer the best hope for cutting costs. Companies he calls "islands of excellence" such as the Geisinger Health System in Pennsylvania, Intermountain Healthcare in Utah and the Mayo Clinic

system have found pathways to savings while delivering quality medical services.

Goodman said government programs like Medicare stifle such innovations and create incentives to maximize the cost of care. He advocates an overhaul of Medicare's payment system so that health care providers who can save the government money should share in those savings.

Goodman would set three ground rules. The providers would have to promise that their costs per patient would not increase. The quality of service cannot go down. And the providers would have to satisfy the government six months in advance that they have acceptable ways to measure costs and quality.

"Then, let them do it, but not by telling the doctors how to perform," Goodman said.

## **Conflicting goals**

Variations on this approach are in many of the proposals congressional committees are considering as they try to find a path to universal health care coverage that lowers the overall cost of medical care to the economy.

Those twin goals are in conflict with each other. Insuring every American would lower high medical costs for emergency room care, since this is the portal the uninsured often use when they have medical needs that can't be ignored. But giving 46 million people access to routine medical care will inevitably raise demand for treatment. Without major cost cutting on the supply side, we'll just go broke that much faster.

Meanwhile, consumers can do their part to curb demand. Do what you can to get healthy. You may not be able to afford the alternative.