

# ASU experts say raising the age of eligibility and other reforms will put Medicare on solid footing

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Raising the age of eligibility and reforming some Medicare practices can go a long way to making it sustainable, according to three Arizona State University healthcare policy experts.

"Given our demographics and the rapidly increasing costs of medical care, [Medicare](#) as we know it, is unsustainable. We are now eating away at our children's and grandchildren's futures," said Dr. Denis Cortese, MD, director of ASU's [Healthcare Delivery](#) and Policy Program. "The time to fix Medicare is now."

Cortese, along with colleagues Natalie Landman and Robert Smoldt, recently published the book "A Roadmap to Medicare Sustainability." In it, the authors provide four recommendations to make Medicare sustainable and affordable for Americans long term. They are:

- Raise the age of Medicare eligibility from 65 to 69.
- Move Medicare to a premium support model.
- Establish true pay for value for medical providers.
- Carry out tort reform.

As the primary [health insurance program](#) for adults aged 65 and older and those with permanent disabilities, Medicare is important to many Americans. But the program needs to be reformed in order to become

sustainable or it will continue to be a major contributor to the U.S. federal debt.

"Medicare must be fundamentally reformed and made sustainable in a manner that is fair to seniors, their children and their grandchildren who are or will be paying the taxes for the [Medicare program](#)," said Smoldt, associate director of ASU's Healthcare Delivery and Policy Program. "Bold action and consistent leadership on several fronts are required."

A fundamental problem with Medicare is that it is a "pay as you go" system and there are really no funds in the Medicare Trust Fund that can be drawn from, explained Smoldt. Because of that, the growing costs of Medicare (as more Boomers enter [retirement age](#)) make it a bigger factor than Social Security in the future expected expansion of the U.S. federal debt.

The goal, the authors state, is to make Medicare fiscally sound, patient centered, have it provide choice to beneficiaries and promote competition among providers.

## **Raising the age of eligibility**

There are two basic problems with Medicare sustainability – the increase in the number of beneficiaries and the increase in cost per beneficiary.

"Just by raising the age eligibility for Medicare, you can go a long way to making it stronger for a longer period of time," said Cortese. Moreover, raising the age of eligibility for Medicare will not only help close the Medicare funding gap, but also will encourage seniors to build up adequate retirement savings and boost overall GDP.

The authors suggest raising the age of eligibility from 65 to 69 years, but to do so in a series of graduated steps. Keeping in mind that some people

will not be able to continue to work and receive health benefits from their employer, the authors also propose that a mechanism be put in place to allow for enrollment at age 65 that would be actuarially equivalent to standard program enrollment at age 69.

## **Premium support model**

Because Medicare's past control efforts (through price controls) have not solved its fiscal problems, continuation of this strategy likely will lead to decreased access and quality problems for beneficiaries. Instead, the authors suggest that Medicare be moved to a premium support model as a method of limiting the government subsidy of health insurance for the elderly.

"The country needs to decide how much it can afford," explained Smoldt. "Say it is \$1 trillion, then divide that by the number of recipients. This could mean the government provides \$100 per month per recipient. Some people may not be able to afford any additional premium, so you would need to provide to them the base health insurance plan for that \$100. Then anyone who can afford more could go and look for other plans and pay the difference."

Raising the age of eligibility and setting a cap on the government contribution fixes Medicare costs in a predictable way. It makes Medicare more sustainable so it actually will be there for future generations, Cortese said.

## **Pay for value**

Another key recommendation is for Medicare to change the way it pays for services. The aim is to shift the focus away from pay for service to one of pay for value. In essence, the doctors would have financial

incentives to provide high-quality care (better patient outcomes, safety, service) while using fewer resources.

Because Medicare is the largest single payer for care in the U.S., this fundamental change would have a big influence on the way doctor's practice, said Landman, associate director for projects at ASU's Healthcare Delivery and Policy Program.

"It changes the way medical practice is administered and rewards those who help people get and stay healthy," she added.

"Pay for value is the best way to improve health cost efficiency," Smoldt said. "It directly affects the way doctors practice and could result in substantial cost savings."

## **Tort reform**

Finally, the authors state that the current legal environment leads to higher use rate and inefficiencies in healthcare. Defensive medicine leads to procedures and tests that are ordered to avoid possible future malpractice and this, in turn, results in higher healthcare delivery costs.

Estimates of annual healthcare costs caused by unnecessary care related to defensive medicine and associated legal costs range from \$50 billion to \$200 billion.

"The legal environment should be structured to encourage the sharing of information, perhaps through increased transparency and creation of a safe harbor to report poor outcomes or errors," the authors state.

"Tort reform might help patients get the care they need and let doctors advance their field and treatments without having to resort to defensive medicine," Cortese added.

The authors estimate that raising the age of eligibility and moving Medicare to a premium support system could save as much as \$618 billion between 2013 and 2022. These changes could put Medicare on a sustainable path that will serve those who need it most without saddling future generations with debt.

Provided by Arizona State University

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