A Roadmap to Medicare Sustainability

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Established in 1965, the Medicare program is the primary health insurance program for adults aged 65 and older and people younger than 65 with permanent disabilities. Although Medicare has made a significant contribution to the lives of beneficiaries by improving their economic and health security, the program presents a number of challenges:

• Unfavorable demographic trends bring into question the sustainability of Medicare’s “pay-as-you-go” scheme (see chart below).
• Rapidly increasing costs have contributed significantly to the higher than desired level of U.S. federal debt.
• Medicare is a bigger factor than Social Security in the future expected expansion of U.S. federal debt.
• Medicare is a complex program with rules that are hard for both patients and providers to understand.
• Medicare’s rigid regulations make it more difficult to introduce new healthcare delivery models.
• Medicare’s past cost control efforts (through line item price controls) have not solved its problems; continuation of this strategy will lead to decreased access and quality problems for Medicare beneficiaries.

It is of interest to note that some of the problems we currently face, e.g., rapidly rising costs and overwhelming complexity, were already present in the first year of the Medicare program. Thus, we believe that we will not solve the problem by relying on continuing piece-meal “tinkering” with various program components. Medicare must be fundamentally reformed and made sustainable in a manner that is fair to seniors, to their children and their grandchildren who are or will be paying the taxes for the Medicare program. As the book “A Roadmap to Medicare Sustainability” shows, bold action and consistent leadership on several fronts are required. Key recommendations to make Medicare sustainable for the government include:

• Raising the age of Medicare eligibility to 69 years, with option of entering the program at 65 years. This will not only help close the Medicare funding gap, but will also encourage seniors to build up adequate retirement savings, and will boost overall GDP (see chart below).
• Moving Medicare to a premium support model.

Moreover, to ensure Medicare affordability for individual citizens, we also propose:

• Establishing true Pay-for-Value for medical providers.
• Carrying out tort reform.