

The 2009 Medicare Trustees' Report

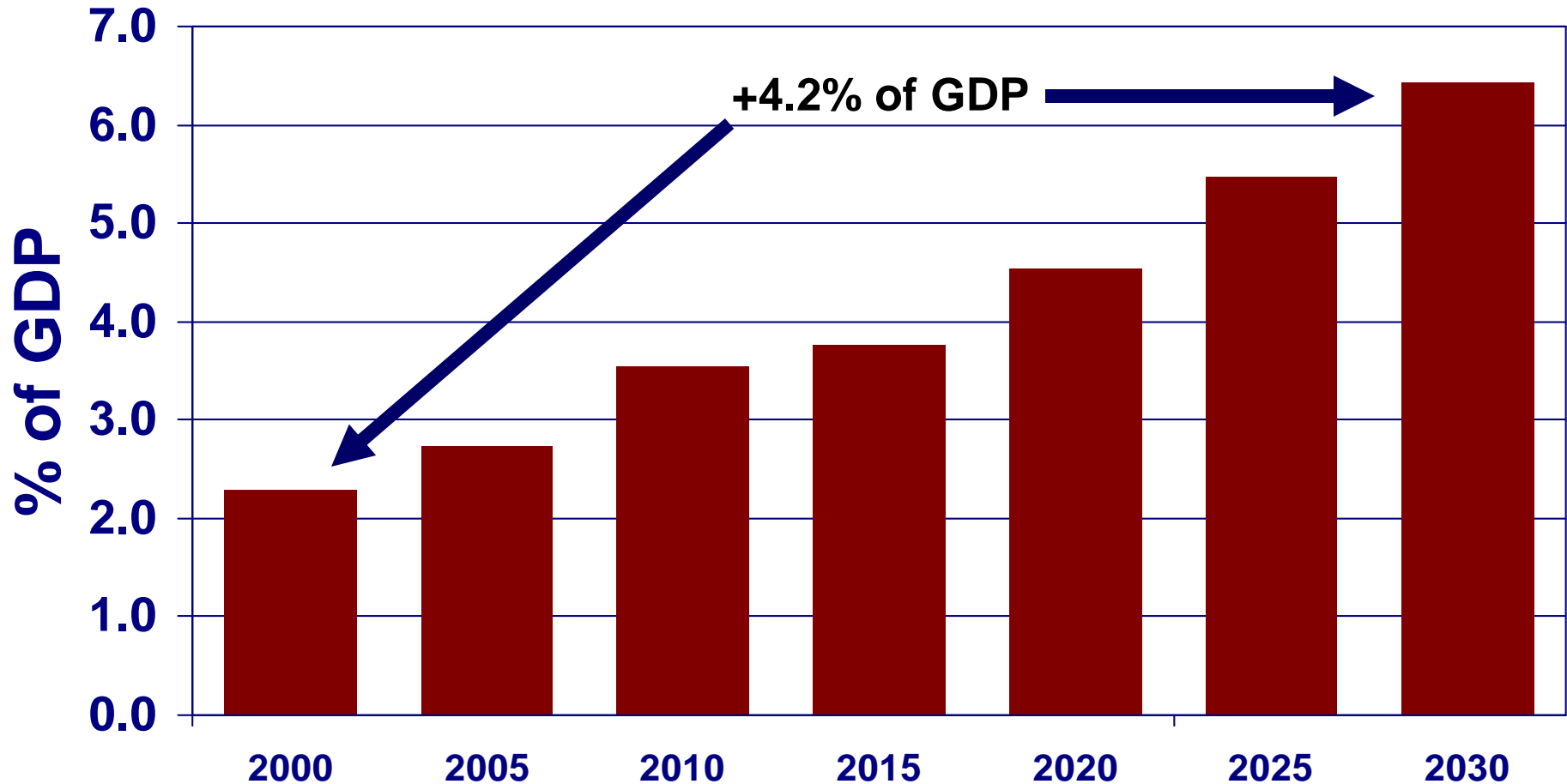
American Enterprise Institute

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Mounting Budgetary Pressure

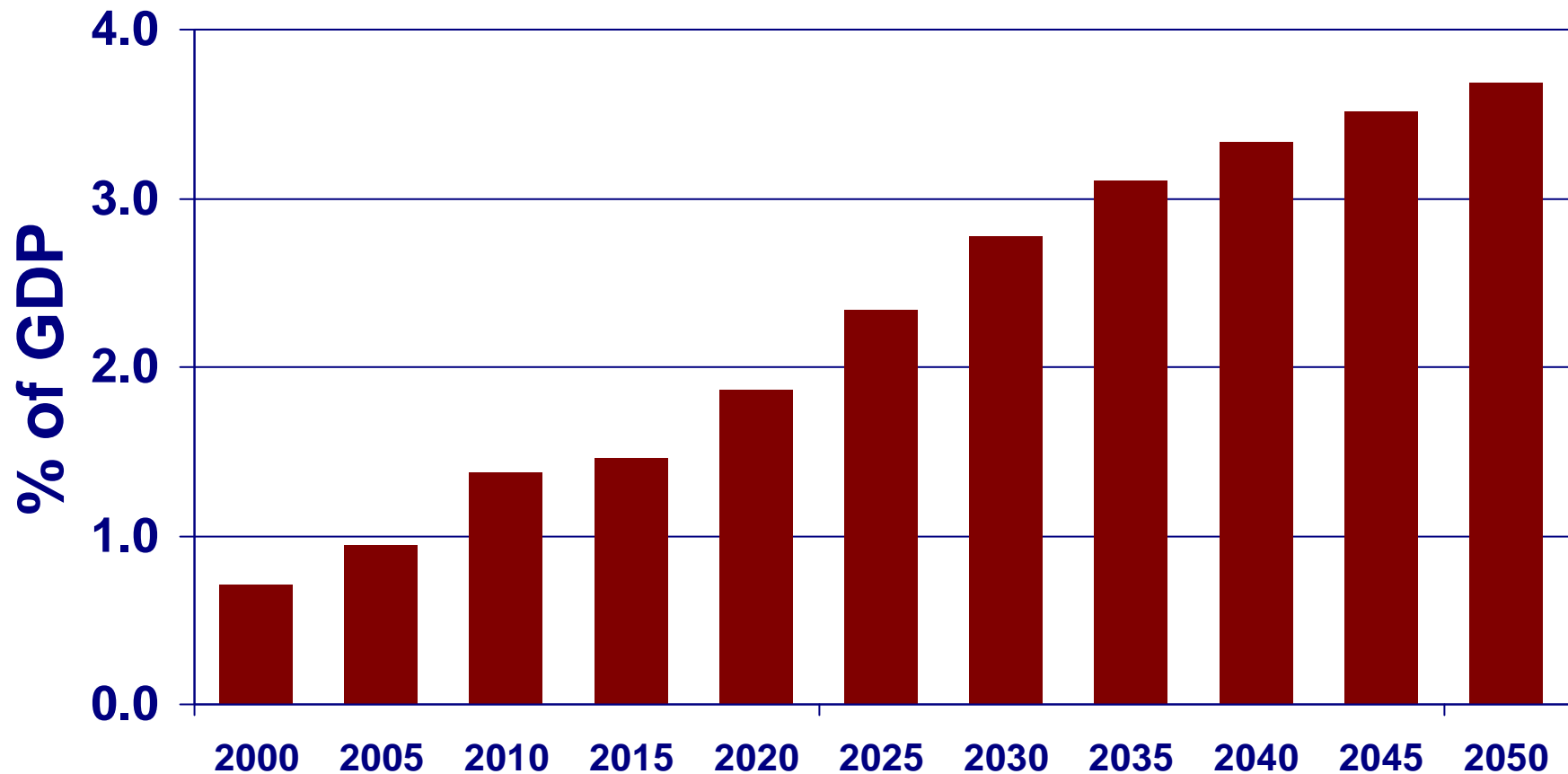
Total Medicare Spending



Source: 2009 Medicare Trustees' Report

The SMI Trust Fund Is Never Depleted

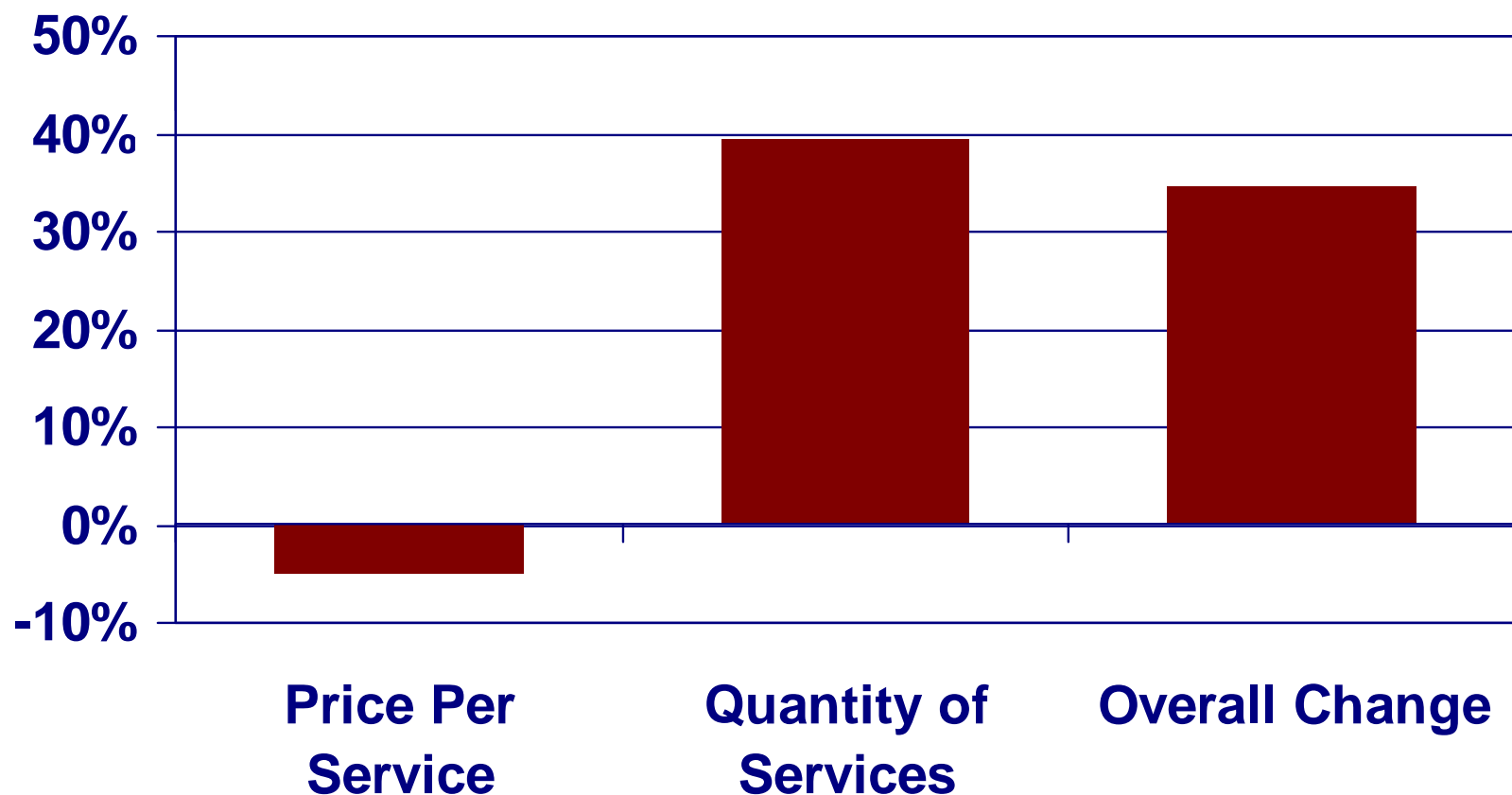
General Revenue Contributions to SMI (B & D)



Source: 2009 Medicare Trustees' Report

Medicare: “Volume and Intensity”

Composition of the Change in Real Medicare Physician Spending Per Beneficiary, 1997 to 2005



Source: “Factors Underlying the Growth in Medicare Spending on Physician Services,” Congressional Budget Office, Background Paper, June 2007, p. 15.

Medicare Fee-for-Service

“In previous reports, the Commission has recommended that Medicare adopt tools for increasing efficiency and improving quality within the current Medicare payment systems.... However, in the current Medicare FFS [fee-for-service] payment system environment, the benefit of these tools is limited for two reasons. First, they may not be able to overcome the strong incentives inherent in any FFS system to increase volume. Second, paying for each individual service and staying within the current payment systems (e.g., the physician fee schedule or the inpatient PPS [prospective payment system]) inhibit changes in the delivery system that might result in better coordination across services and lead to efficiencies or better quality across the system.”

**Reforming the Delivery System
Medicare Payment Advisory Commission
June 2008**

The Current Cost-Side Reform Agenda

Ideas to “Engineer” a More Cost-Effective Delivery System:

- Health Information Technology
- Comparative Effectiveness Research
- Payment Reform (Bundling, Pay for Performance, Value-Based Purchasing, ACOs)

Is the agenda up to the task?



Some Reasons Medicare Operates As It Does:

- Political process cannot pick network winners and losers: thus an open network and equal payments for all licensed providers
- Incumbents protect market share and status quo through legislative/regulatory processes
- Beneficiaries stand to gain little from more selective use as they frequently pay nothing more at point of service