

Health-Care Reform: Can We Pay For This?

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What Needs Bending

Annual Average Per Capita Cost Growth 1975 to 2005

	<u>Real Per Capita Cost Growth</u>	<u>Excess Cost Growth*</u>
Medicare	4.6%	2.4%
Medicaid	4.4%	2.2%
Other Health Care	4.1%	2.0%

*Excess Cost Growth is average annual per capita spending growth rate in excess of average annual per capita GDP growth.

*Source: The Long-Term Outlook for Health Spending, CBO, November 2007.

Bending the Curve Schools

	Government-Driven Cost-Cutting (“CMS for All”)	Engineering a Better “Delivery System” (“Geisinger for All”)	Entitlement Structure/ Marketplace
Theory	<ul style="list-style-type: none"> • With universal coverage, it will be possible to equitably use governmental power to cut fees to providers 	<ul style="list-style-type: none"> • More efficiency in health care is achievable with smart govt. investments and programmatic design 	<ul style="list-style-type: none"> • A decentralized marketplace with cost-conscious consumers will drive out what’s not valuable
Steps	<ul style="list-style-type: none"> • Widespread adoption of Medicare-like fee schedules. 	<ul style="list-style-type: none"> • Health IT • Comparative effectiveness res. • Medicare-led changes: ACOs, bundling, competitive bidding, hospital re-admission rules 	<ul style="list-style-type: none"> • Convert existing entitlements into controllable, dollar like amounts that rise commensurate with revenue base

Obstacles to “Geisinger for All”

- **Political process (at the national level) cannot pick network winners and losers (hospitals, physician groups) in any lasting way.**
 - **Thus the tendency toward an open, FFS network and equal payments to 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.**

“Trigger Option”: Geisinger+CMS (Medpac?)

