

# **Why We Need Medicare Payment Reform**

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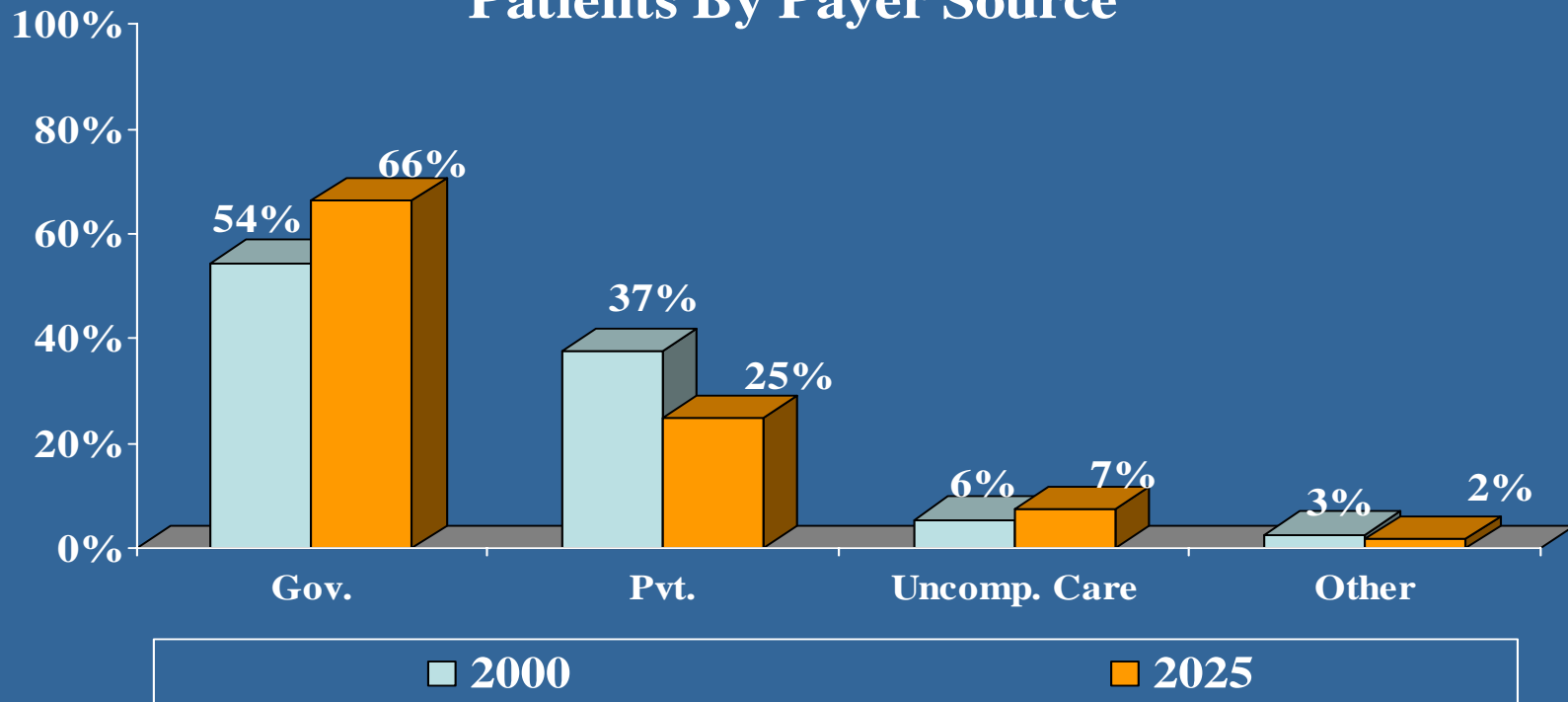
Monday, November 24, 2008

# **Medicare Is Already A Major Payer For US Healthcare**

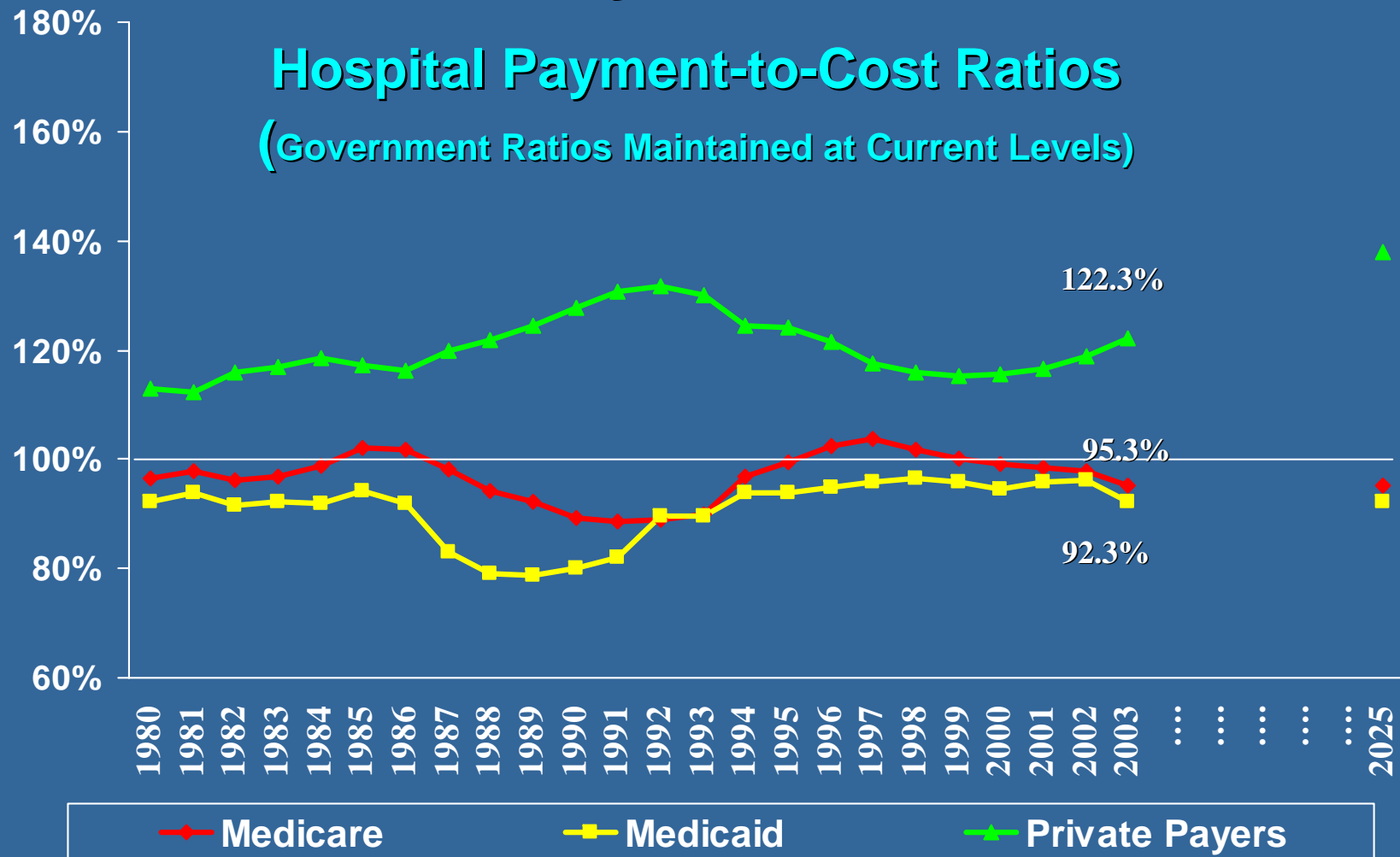
*But Just Wait Until The Next Decade!*

# Even With No Change In Coverage Government Will Dominate Institutional Payments

Proportion Of Hospital Expenses Attributed To  
Patients By Payer Source

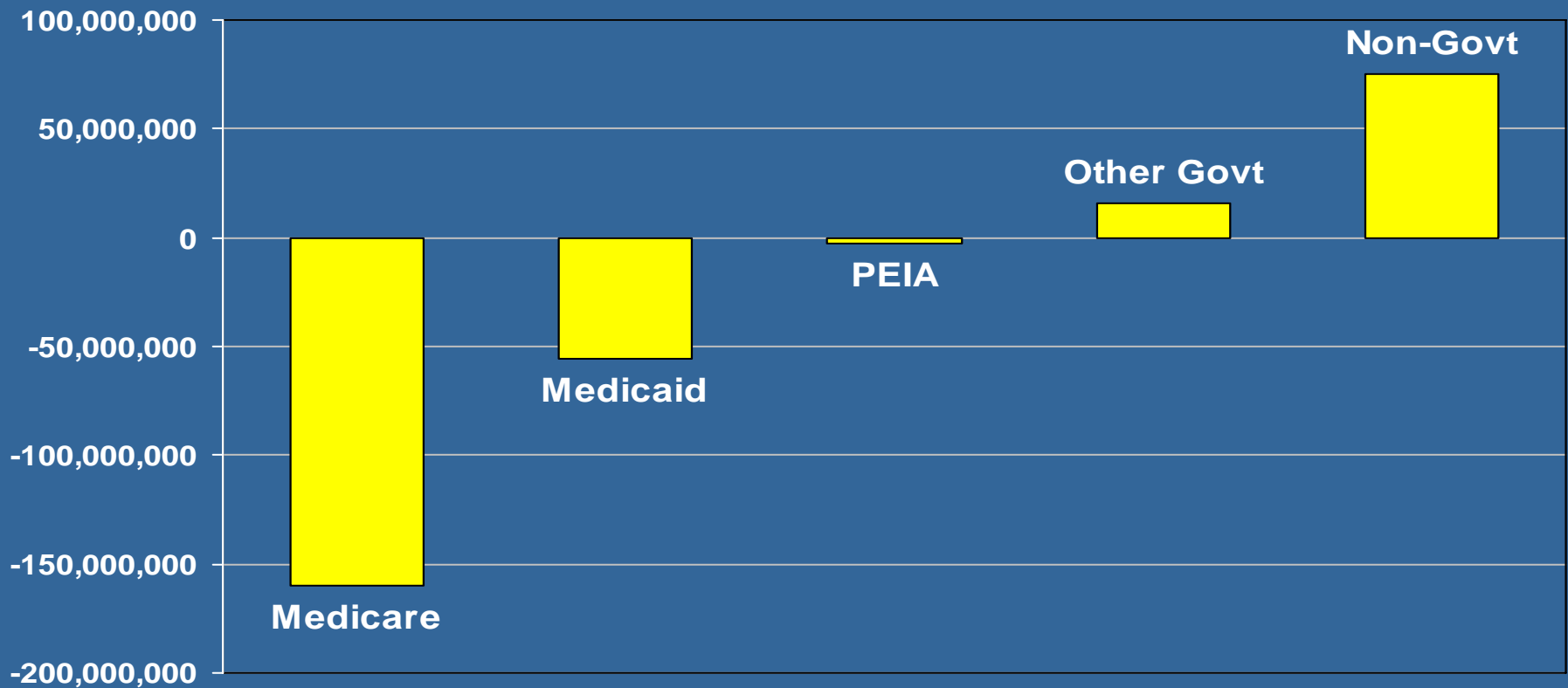


# Can Private Insurance Payments Continue To Pay For The Shortfall In Government Payments



Source: 2005 TrendWatch Chartbook, AHA and the Lewin Group.

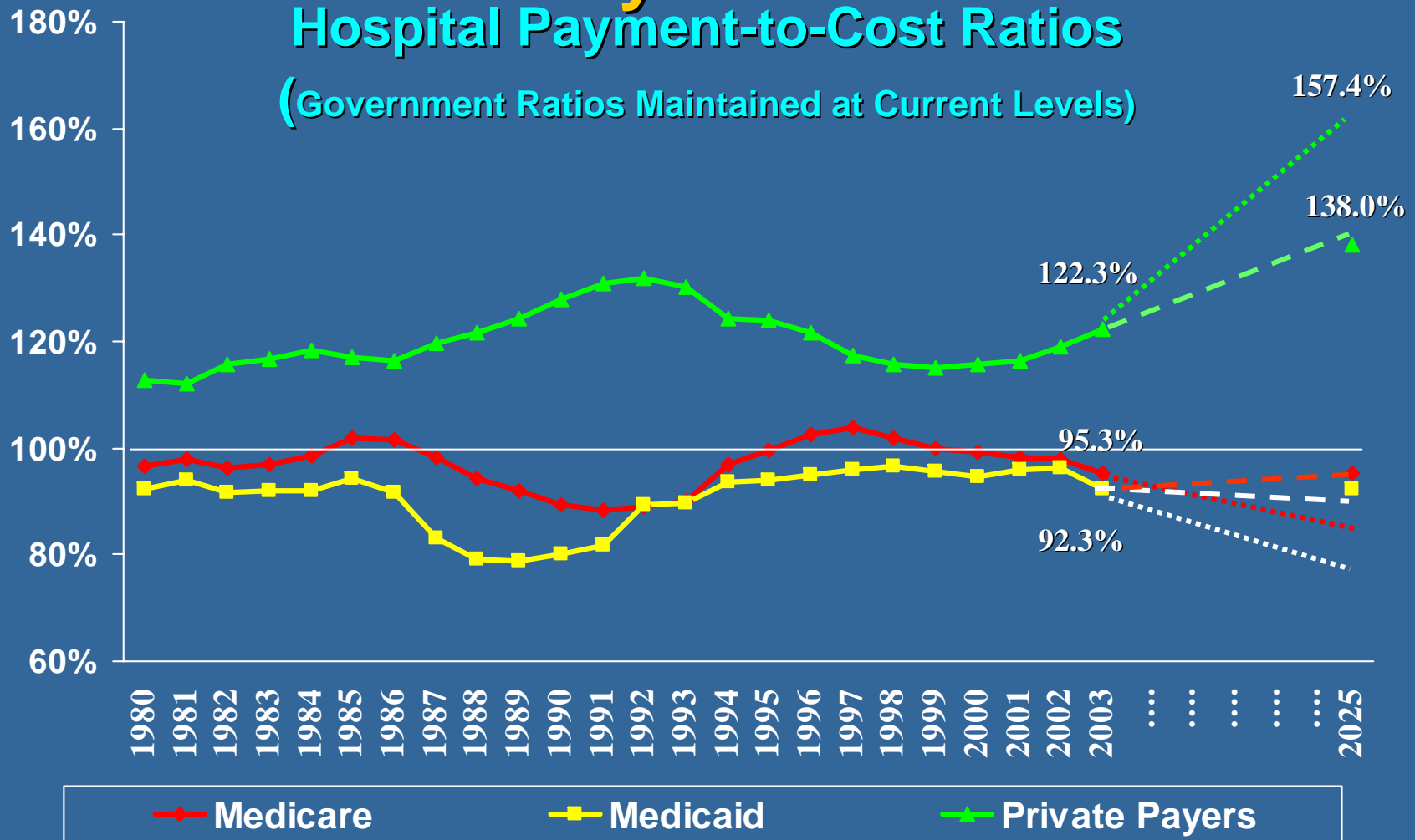
# Profit (Loss) By Payer 2004



**If Government Attempts To  
Control Its Spending By  
Cutting Back On It's  
Payments To Providers----**

# Can Private Insurance Payments Continue To Pay For The Shortfall In Government Payments

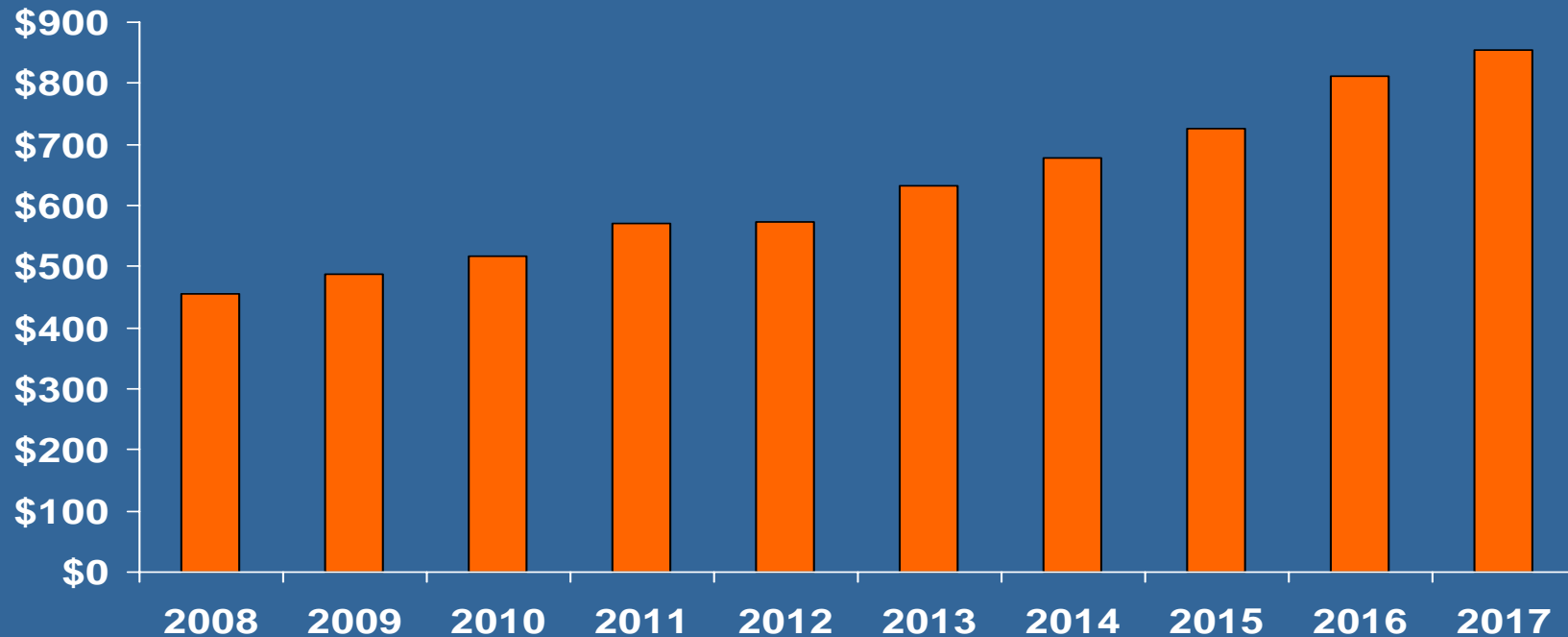
## Hospital Payment-to-Cost Ratios (Government Ratios Maintained at Current Levels)



Source: 2005 TrendWatch Chartbook, AHA and the Lewin Group.

# Expected Medicare Expenditures 2008-2016

Total outlays in billions:



Share of:

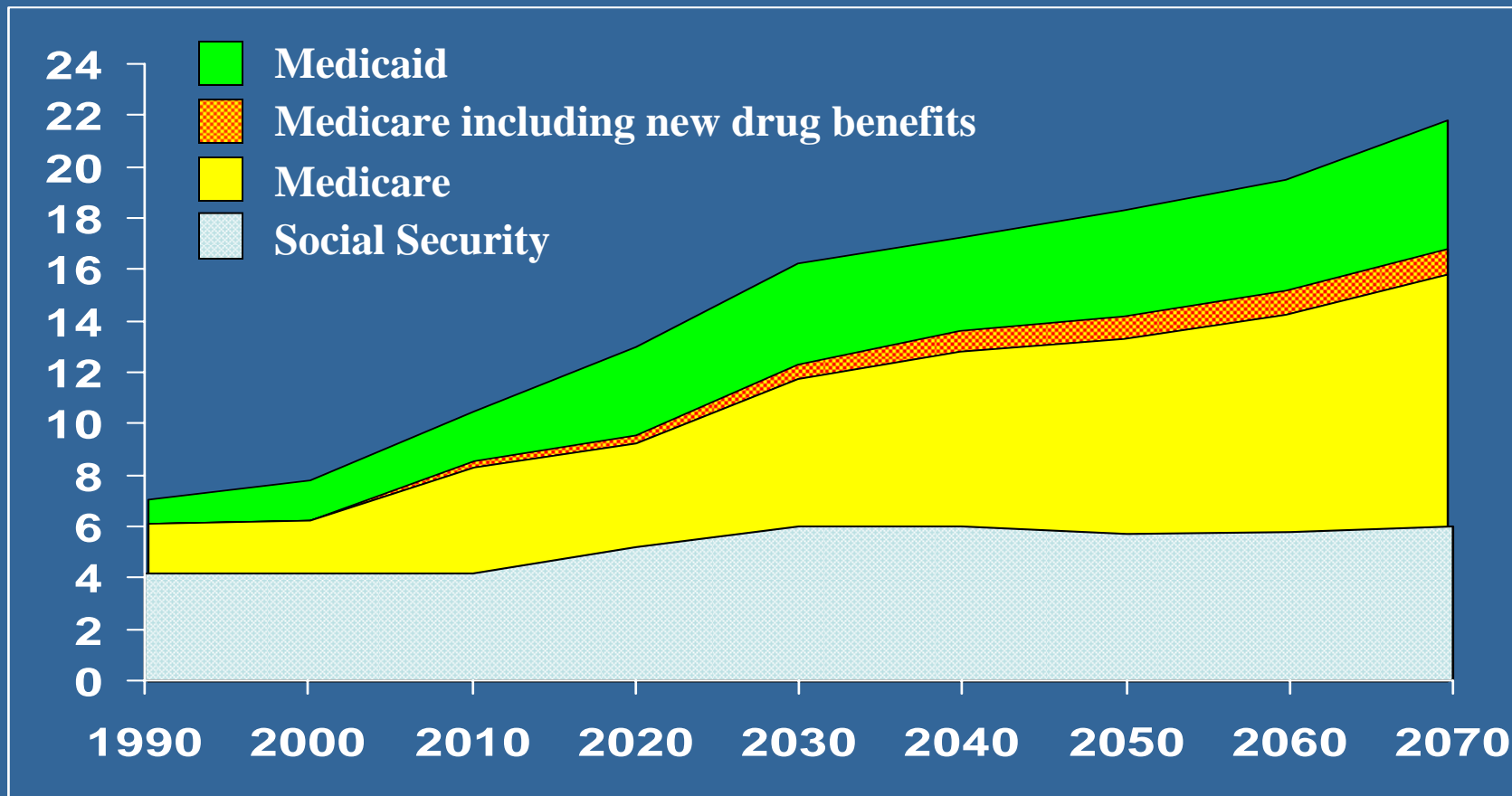
Fiscal Year

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Federal Budget</i>	16%	16%	16%	17%	17%	18%	18%	19%	20%	20%
<i>Gross Domestic Product</i>	3%	3%	3%	3%	3%	3%	4%	4%	4%	4%

SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2007.



# Medicare In Combination With Social Security and Medicaid Will Use Twice The Proportion of Our National Income by 2030!

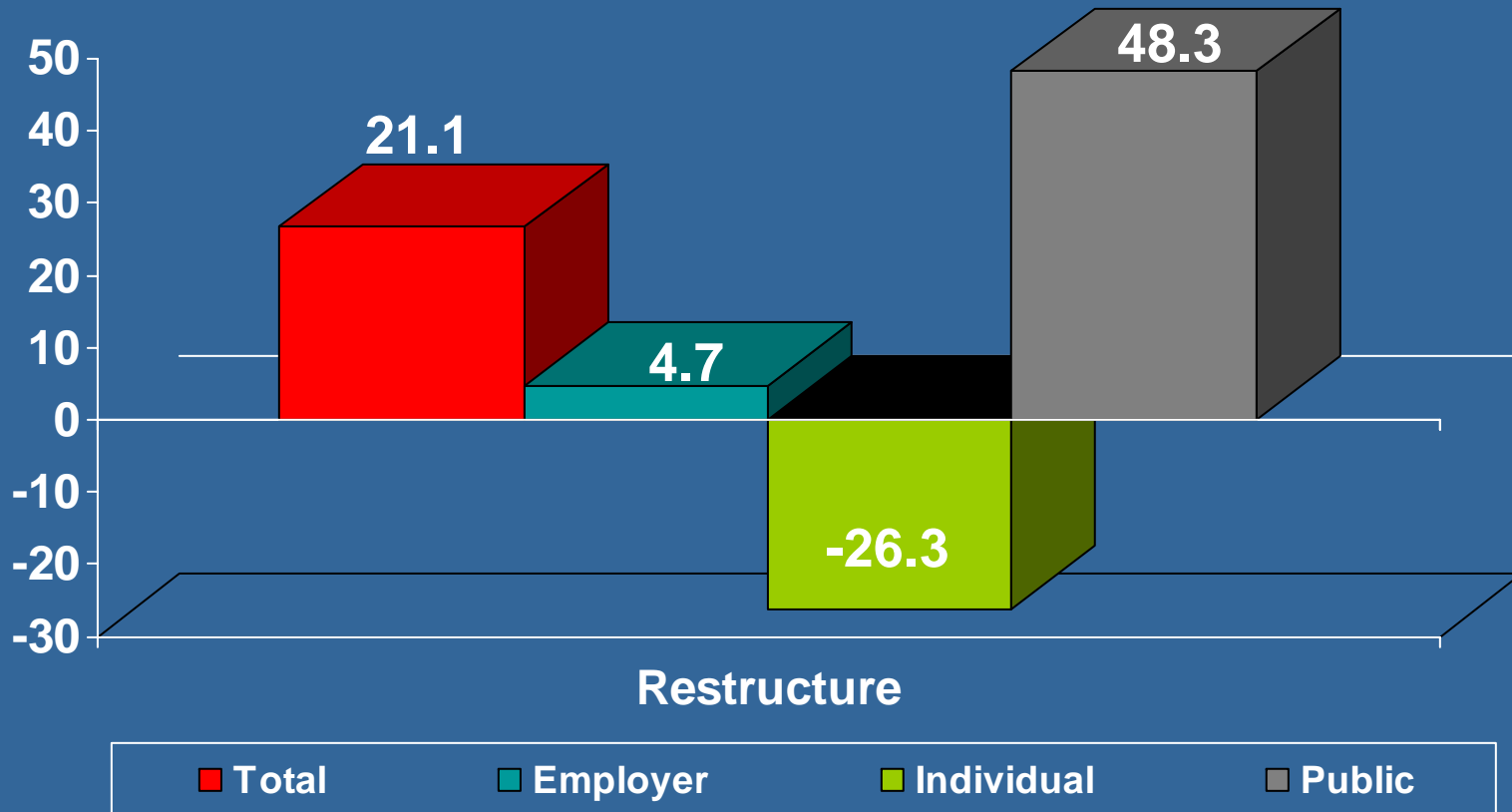


Source: C. Eugene Steuerle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003. Based on data from the Congressional Budget Office, "A 125-Year Picture of the Federal Government's Share of the Economy, 1950-2075," July 3, 2002, table 2.

**We Could Also Add Additional  
Individuals Under Government  
Coverage**

# Change In Public and Private Coverage Under Obama Health Reform Plan

In Millions of Insured in 2010



Source: The Lewin Group

# What We Need To Do

- Federal government can no longer just think about impact of it's legislation on Medicare beneficiaries and fiscal integrity of program
  - Cannot assume that providers will find other payers to pick up lower payments and therefore if it needs to pay lower amounts it must:
- Restructure payment system and move beyond fee-for-service
- In addition:
  - Medicare physician payment system underpays primary care physicians
  - Hospital DRG payment system encourages training of specialists
  - Doesn't pay to encourage integrated care

**So---What Will Happen?**