

The Key to Successful Medicare Reform? – Entrepreneurs

NCPA Study: 10 Policy Changes That Lower Costs, Increase Access to Higher Quality Care

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Reforming the Medicare payment structure to reward market-driven entrepreneurial innovations would cut healthcare costs by nearly \$2.5 trillion by mid-century, according to a new study from the National Center for Policy Analysis (NCPA).

“To truly reform Medicare, entrepreneurs must be free to innovate,” said NCPA Senior Fellow and co-author of the study, Devon Herrick. He singled out four basic categories for reform that would provide immediate results:

- **Freeing the Patient:** it is time to treat patients as partners in their own health care. The first step is to make individuals responsible for managing at least some of their own money. They would benefit from prudent decisions and costs would be reduced.
- **Free the Doctor:** Medicare’s bureaucratic rules prohibits payment for many services that providers would like to offer and patients would like to receive. Instead, any Medicare provider should be reimbursed for any service that: (1) does not increase cost, and (2) improves the quality of care.
- **Free the Market:** Medical fees should be determined the way prices are determined everywhere else in the economy -- in the marketplace.
- **Free the Insurer:** Insurers need to be given incentives to create specialized plans -- especially for chronic illnesses -- that compete with each other. An example can be seen in Medicare Advantage plans, which allow seniors to choose to receive their benefits from a private insurer.

“Most current and proposed health care reforms, including the Affordable Care Act, are changes developed by third-parties, such as insurance companies and bureaucratic administrators,” said Herrick. “In every other industry, innovations come from entrepreneurs who provide new services and come up with new products and solutions that revolutionize each market. It’s time we changed the incentives and applied the same approach to health care.”

How to do that? The NCPA study explores several specific examples of successful entrepreneurial health care solutions and proposes 10 important policy changes:

- **Retail Outlets:** Medicare should immediately allow enrollees to obtain care at almost all walk-in clinics and free-standing emergency care clinics — paying posted market prices, not Medicare’s prices.
- **Telephone and E-Mail Services:** Medicare should allow beneficiaries to use telephone and e-mail physician services — paying market prices, not Medicare’s prices.
- **Concierge Doctors:** If patients and doctors are willing, Medicare should be willing to throw away its 7,500 item price list, pay some portion of the concierge fee (usually about \$1,500 per patient per year) and let the medical marketplace handle the rest.

- **Billing by Time, Rather Than Task:** Doctors should be allowed to change the mix of services they offer. If the change in practice is substantial enough, we should allow patient copayments and let them be determined in the marketplace.
- **Paramedical Personnel:** Nurses and physician assistants should be allowed to perform tasks that do not require a physician's level of expertise in order to expand the availability of low-cost medical care.
- **Bundling:** Providers should be encouraged to offer package prices for bundled services and Medicare should be willing to pay the package price wherever it is expected to be less than what taxpayers would otherwise have paid.
- **International Medical Tourism:** Medicare should take advantage of the international medical tourism market — a real market where providers routinely compete for patients based on price and quality.
- **Domestic Medical Tourism:** Medicare should allow seniors to share in the savings created by traveling to a higher-quality, lower-cost facility domestically.
- **Selective Relaxation of Price Controls:** Medicare should let a few doctors in a given area — but not most — charge anything they like for covered services. Medicare would continue to pay its list price, but the patient would have to pay any extra charge out of pocket.
- **Health Care Stamps:** Health Care Stamps for low-income seniors eligible for both Medicare and Medicaid (so-called dual-eligibles) would function similar to the Supplemental Nutritional Assistance Program (SNAP), formerly called food stamps, ensuring that the poor can compete for resources with all other buyers of care.

The NCPA proposes replacing Medicare's current structure with a new simplified structure meant to mimic the health insurance benefits the rest of Americans enjoy. A “Standard Comprehensive Plan” (SCP) would be the new “core” Medicare plan. It collapses all of the current archaic divisions of Part A, Part B and Part D into a single comprehensive program with an across-the-board \$5,000 deductible. Beneficiaries would pay a premium equal to 15 percent of program costs. Current enrollees could stay where they are or could switch into the new plan, but all new enrollees would be in the SCP.

Future retirees would save for future health costs using individually-owned Health Insurance Retirement Accounts (HIRAs). Through these accounts current workers would partially prepay future Medicare costs and thereby reduce the projected tax burden on future workers.

“Without reform, Medicare will consume nearly nine percent of our economy by the middle of this century but the proposed NCPA reforms would save an estimated 2.5 trillion in the same period,” said Herrick.

Full text: How Entrepreneurs Could Solve Medicare's Problems: <http://www.ncpa.org/pub/st344>
 These reforms are outlined in NCPA President John Goodman's latest book, *Priceless: Curing the Healthcare Crisis*.