

PAYING FOR HEALTH CARE: METHODS

THE SYSTEM, PROBLEMS, and POLICIES

1. SYSTEM

- M covers the elderly --- the most expensive part of the population and the brakes on the system ---- out of pocket constraint lifted.

- Inflation hits system----not all just price increases but also more technology. It’s a fee for service system, with broad benefits and extra incentives for high tech medicine, medical training.

- M covers rich as well as poor. It is an ENTITLEMENT program. Wise strategy? Can you afford it?

- Still some gaps; Medicaid not same coverage in all states; some employed do not have coverage---service industries.

2. PROBLEMS:

>>> TECHNOLOGY/INCREASING QUALITY ISSUES
>>> BROAD ACCESS BUT WITH GAPS
>>> HIGH AND INCREASING COSTS

3. POLICIES:

Goals become improve access, improve quality, and control costs. BUT THEY ARE TRADE OFFS

Most of focus on attempts to control costs

Regulatory solutions: 1970s

- Price controls, federal and state—alien to our society
- Supply controls on capital investments---done by locals, but locals share costs
- Supply controls on doctors---limit training of specialists.
Market solutions: 1980s
- Promotion of HMOs—change incentives, better deal? SKIMMING, SKIMPPING
- Use market power—government dictates prices M&M which leads to BEGGAR THY NEIGHBOR

Push the consumer: 1990s I like, but hard to sustain politically
- Co-payment, deductibles, co-insurance increases
- Managed care