

SAVE MEDICARE

And Improve the Nation's Fiscal Health

Kenneth L. Davis, M.D.

Reducing health care spending in America is one of the most challenging issues of our time. We spend an annual \$2.2 trillion on health care, 16 percent of our nation's GDP—far more than any other country—and costs continually rise. “Bending the cost curve” has become an imperative for the fiscal health of our country, and for the long-term stability of our health care system. The question is, how to bend it?

The Affordable Care Act includes demonstration projects such as accountable care organizations and bundled payments that have the potential to bring down costs, but they need years to reach fruition and become broad-based policy. Regrettably, as our fiscal crisis worsens, time and patience are in short supply and reducing Medicare and Medicaid payments to hospitals has become the most popular cost-cutting measure. But strangling providers does not make health care less expensive to deliver; nor does it sustainably bend the cost curve.

Legislators need to focus on the real cost drivers. For example, grappling with the nuances of innumerable insurance plans results in unnecessary hospital spending. A standard claims form and identical prior-approval rules could save \$181 billion in over 10 years.

Malpractice reform, including award caps and a system for equitable payments, would also reduce enormous insurance premiums for hospitals, estimated at \$35 billion in direct costs. Last year, New York State implemented a medical indemnity fund to pay the actual and necessary future health care costs for newborns with a neurological injury. Some providers have already seen insurance rates decrease as much as 15 percent,

freeing up millions of dollars for patient care and operational costs.

Medicare's outpatient drug benefit, anticipated to reach \$175 billion by 2021, up from \$68 billion this year, could also be reined in. Requiring that Medicare manage its formulary the way virtually all health insurance plans do would achieve this. If it was the rule, rather than an option, to have generic drugs within a class prescribed over the brand-name therapy, Medicare could save an additional \$900 million per year over existing substitution savings. Allowing Medicare to seek bids for lower drug prices, the way most major plans and the Veteran's Administration do, would bring even greater savings.

Finally, we must look at the way we die in America. Nearly 30 percent of Medicare expenditures are spent in the last year of life, and 75 percent of Medicare payments are for just 10 percent of beneficiaries who are among the sickest. Requiring that all hospitals have palliative care programs—for patients with chronic

and serious illness at any age—would improve lives, reduce patient and family stress, and save up to \$6 billion per year nationally. Contrary to the hysterical arguments over “death panels,” palliative care focuses on providing patients with relief from the symptoms and pain of serious illness. Palliative care doctors also facilitate conversations with patients and families about difficult end-of-life decisions so a patient's wishes can be incorporated into the care plan.

Instead of decimating Medicare and Medicaid providers, we need the political will to enact these and other policies that would, over the long term, improve health care and bend the cost curve in America.

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