

## ***Letter from Chicago***

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### **Expanding Medicare**

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On the same day that Mr. Gorbachev outlined plans for political and economic reform President Reagan signed into law the Medicare Catastrophic Protection Act of 1988. This legislation represents the greatest expansion of Medicare, the federal program for the aged, since its inception in 1965. Hailed as a historic constructive change and a welcome advance in political maturity, it aims to protect America's 32 million over 65 year olds against the ruinous consequences of prolonged illnesses.

The new law greatly expands payments for hospital, doctor, and drug bills. Starting in 1991 it will cover half of the outpatient drug costs (after a deduction of \$600 a year). By 1992 this will rise to 60% and by 1993 to 80%. From next year Medicare will pay for all hospital expenses (with the exception of an initial deduction for which the patient remains responsible), as well as for 150 days of skilled nursing care. The law also increases nursing home, home health, and hospice benefits. It places a ceiling on doctors' fees after 1990, but will cover all except for the initial \$1440 each year. It pays for mammography every other year and protects the spouse of a nursing home patient against impoverishment and seizure of assets.

The measure had first been proposed as a modest expansion of Medicare by health secretary Dr. Otis Bowen, former governor of Indiana. Initially held up in congress for many months, it eventually re-emerged in its present expanded form. Estimated to cost \$1-3 billion in 1989 but \$17 billion yearly by 1995, it will not add to the federal budget deficit because it will be financed by the Medicare recipients themselves. This will be achieved through increased deductions from social security (pension) checks, supplemented by a tax surcharge on rich beneficiaries and by deductions indexed for inflation. The law also allows the health secretary to introduce measures to control costs and to set standards for prescribing, though not mandating a formulary as such. A companion bill paying for home care at \$30 billion a year was rejected by an increasingly cost conscious congress; and there was no move to help America's 40 million uninsured working poor; nor to pay for long term nursing home care, estimated to amount to \$120 billion a year by the beginning of the next century.

#### **Who will take care of us?**

To a great extent the new legislation answers the frequently asked questions of "Who will take care of our parents when they grow old?" and "Who will take care of us?" Who, indeed, will pay for the medical needs of an increasing aging population? Projections from the census bureau indicate that the number of Americans over 65 years old, up from 20 to 30 million in the past decade, will grow to 40 million by the year 2010 and to 65 million by 2030. Likewise the 2-2 million over 85 year olds is estimated to expand to 15 million by the middle of the next century. Somebody will need to pay for their care and the present legislation is a reasonable start. Yet some unhappiness lingers about the method of financing the benefits through a tax increase on older Americans, a 15% surcharge on owed taxes that will double to 28% by 1993. Some believe that the elderly won't get much that they don't have already, and that federal insurance may cost more than private insurance offers now. Others worry that making drugs free amounts to a virtual

subsidy for the pharmaceutical industry. The president himself, in signing the bill, warned future law makers to be vigilant: "The program, after all, is to be paid for by the elderly themselves, so we must control costs or we will harm the very people we are trying to help."

Yet the object of containing expenditure remains elusive. Discussions inevitably turn to ethics, to rationing care, to setting limits. Whatever may be the virtues of the present health care system, it suffers from failing to protect the working poor, and it is also becoming more expensive each year despite the introduction of cost containment measure after measure. Administrative costs meanwhile have risen to 20% of total expenditure and medical decisions are being daily influenced by an army of intrusive utilization reviewers and government bureaucrats.

As I recently reported congress has allowed these bureaucrats to run amok, to harass individual doctors, and waste money on useless projects such as collecting and publishing uninterpretable data on mortality in hospitals. But undeterred by criticism the bureaucrats forge ahead. Their next project, recently announced, is a massive study to rate the 300 000 doctors treating Medicare patients on a points system according to mortality and other outcomes. Already the bureaucrats have justified this extravaganza by explaining that such an idea, far from being liberal, is indeed conservative: "It is important to inform the public so that they can make informed decisions," they contend. But it may soon become more important for the next president to visit Moscow again and listen to Mr. Gorbachev, who recently referred to the bureaucrats' showing their teeth and who may offer some words of useful advice on how to cut through the red tape.

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