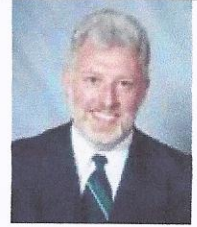


By Robert Betz, Ph.D.

A Good Start

What the Netherlands might offer for Medicare restructuring.



Although the recent political heat has been searing, U.S. Representative Paul Ryan's proposed changes to Medicare are a serious and needed policy alternative. The cornerstone of this proposal is the restructuring of Medicare into a premium support system. Such a system is already in successful operation for Medicare Part D. So we know vouchers can work. Maybe of even greater importance to policy development is the fact that a premium sup-

port system is also in successful operation in the Netherlands. Policymakers might want to examine how our Dutch friends are fairing under their system.

First, the Netherlands redefined the government's relationship with insurers. As I appreciate their approach, the Dutch consider insurers a private utility of sorts providing something the government, in the majority part, is paying for. Subsequently, the Dutch government has made the decision that insurers must be regulated given the de facto "hunting license" the government has bestowed on them. These regulations include the key requirement that insurers must take all applicants regardless of health status and/or immediacy of care required.

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The second element is the Dutch government's commitment to equity. In the United States, many define equity as the same amount and/or same quality of care. There is a political mythology that everyone in the Medicare program currently gets the same care. The Dutch have set aside this interpretation. Instead, they have adopted a system of equity defined as a government commitment to look at each individual's health needs and provide a risk-adjusted premium support paid from a national social insurance pool. This approach

guarantees that the size of each person's voucher makes them attractive to private insurers.

The third and major element of the Dutch system is the one U.S. policymakers should really perk-up and take a look at. This is the system design to promote competition on price and quality. The Dutch government mandates what core medical/health services insurers must include in their benefit packages. I would refer to this as a decent minimum of care. This design element encourages the Dutch to come together in "collectives" to negotiate with insurers over price and extra services. In close cooperation with national medical associations, insurers have developed specific performance indicators for different specialties. As an example, in ophthalmology, insurers want to not only

All aboard

In 2006, the Dutch government moved the whole population of 16 million – the aged, sick, healthy, and young – into a premium support system, just like what Representative Ryan has put forward for Medicare. Admittedly, the Dutch payment system is multi-layered but, for that matter, so is the current Medicare system. However, the system in the Netherlands is really about three things: forcing private insurers to serve all of the public; ensuring equity; and instilling competition to reduce costs.

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know the volume of operations per surgeon – they also want the rate at which patients seek a second cataract surgery within 28 days – a quality indicator agreed upon between insurers and medicine.

Healthcare clients in the Netherlands inform me that despite some implementation issues, the Dutch system is working. Most importantly, healthcare cost increases have stabilized. Interestingly, the risk adjustment feature of the new plan has resulted in aggressive price and service competition by insurance companies. Is the Dutch model a total panacea? No! Are there comparative issues? Yes! Do, significant issues remain. Yes they do! Nevertheless, the Dutch believe they have moved toward a balanced system of individual and collective responsibilities. For a system which was referred to as unsustainable just a few years ago, the big dividend has been the introduction of stability.

An honest examination

It is past time for an honest policy examination about Medicare and its significant contribution to the frightening deficit problem of the United States. However, both sides of the debate so far have at times been disingenuous. The Democrats' rhetoric includes charges that government cannot be depended on to raise the value of Medicare vouchers in the future as healthcare costs increase. Also, Democrats argue insurance companies will continually gouge the elderly over insurance rates.

Democrats are not alone in their hyperbole. Republicans argue the nation can trust the federal government to maintain adequate Medicare voucher levels especially for the sick and elderly who will receive higher supplements. However, in the same breath, Republicans say the nation cannot trust a presidentially appointed commission to make rationing decisions. The unified message from both political parties seems to be that the government can not be trusted if it is utilized as any part of the opposing party's reform plan for Medicare.

Some of my learned colleagues in health policy observe that American expectations and acceptance about health care are quite different from other advanced nations, including the Dutch. Additionally, they argue reform of Medicare will take a generational change. I wish we had the time to wait.

In April, Standard and Poor's downgraded its outlook on the United States, in part because of the escalating problem of Medicare. The 2011 Medicare Trustees report released in May is a warning about the need for decisive government action. The Trustees conclude that although the financial status of the Medicare trust fund has been "substantially improved by the lower expenditures and additional tax rev-

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enues instituted by the Affordable Care Act," the trust fund is now projected to be exhausted by 2024, five years earlier than the estimate given just 12 months ago. This deterioration has, according to the report, largely been due to the economic downturn and increasing healthcare costs; moreover, "the fund is not adequately financed over the next 10 years."

My Dutch is as bad as my English but I say it is high time for the grown-ups to take over the critical discussion about what this country is going to do to restructure the Medicare program. Representative Ryan's proposal is a good start. Since 2003, a successful premium support system has been in operation in the United States with the highly regarded Medicare Part D program. It is a tested strategy which, together with the successful model from the Netherlands, is worthy of serious policy consideration. Our government cannot achieve fiscal sanity until we successfully reform Medicare. Let's see what we might be able to adapt here. **JHC**

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