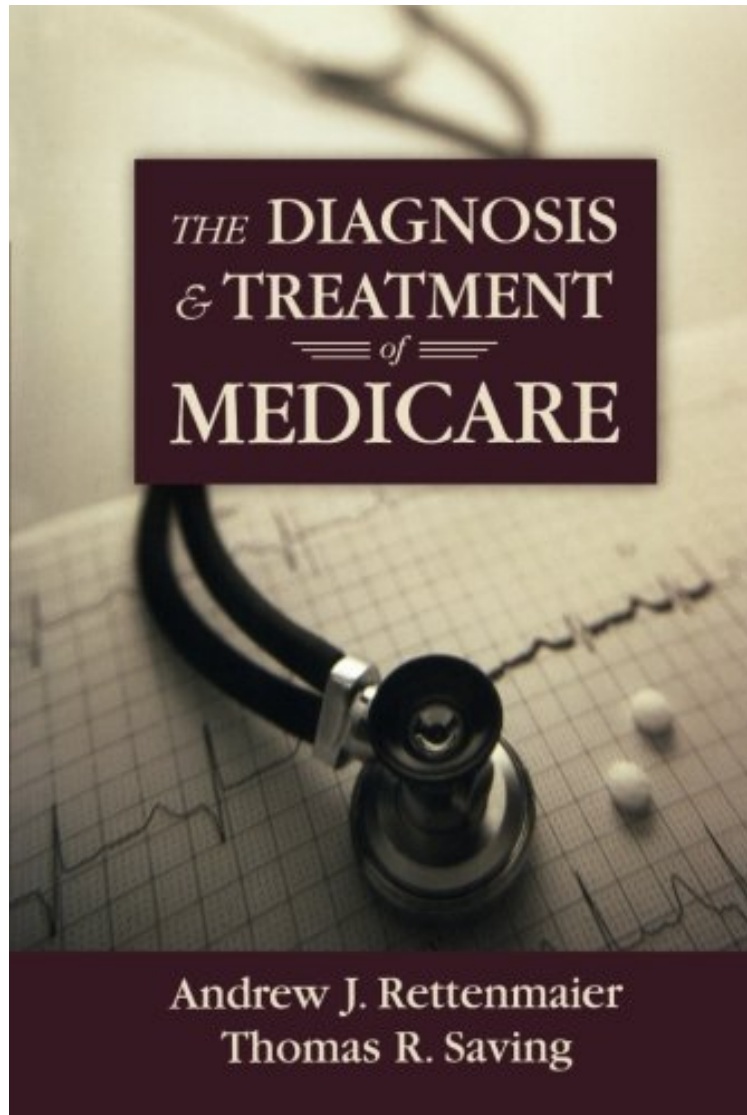


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The Diagnosis and Treatment of Medicare (Aei Studies on Medicare Reform)

Andrew J. Rettenmaier, Thomas R. Saving
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Andrew J. Rettenmaier, Thomas R. Saving : The Diagnosis and Treatment of Medicare (Aei Studies on Medicare Reform) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Diagnosis and Treatment of Medicare (Aei Studies on Medicare Reform):

0 of 0 people found the following review helpful. We need to take this problem seriously now and not leave it for the future to solveBy Craig MattesonWhen you hear any statement prefaced by one of these three phrases you can be

almost certain that something stupid is about to be said: "If we can put a man on the moon", or "We need a new Manhattan Project to", or, the most expensive of all stupidities, "We are the richest nation on earth (or richest in history) surely we can afford to". The claim is that if we have accomplished seemingly impossible things then all things must surely be possible. While this may be true on science fiction shows or in political speeches, it is sadly untrue in reality. For example, the moonshot and the atomic bomb were more or less engineering problems. The science was defined enough to understand what needed to be done. Yes, many new things had to be created, but they were new applications of known principles. Look at how little has come from the billions spent pursuing fusion. And while the war on cancer has led to better and more efficacious treatment, the early hubris has been exposed and many millions continue to suffer with all kinds of cancer. The last claim, that the richest country can afford anything, is ridiculous on its face. Obviously, the richest country can be laid waste or we would still have Rome or the British Empire, or the Mongol Empire. Things can go wrong in a hurry when the adults stop running things and we pass off serious responsibilities to the irresponsible. This is what we are facing with Social Security and even more with Medicare. This excellent book provides a clear picture of what we are facing as a nation in meeting our present and unfounded commitments for these programs as the baby boomers retire and beyond. They simply cannot continue as they are and as the wonderful economist Herb Stein noted, "If something cannot continue it will stop." Rettenmaier and Saving help us see the reality of the problems Medicare is facing over the coming decades. If you respond by saying, "Oh, well, I will be dead long before the crisis hits." Or, "I will be out of office before the crisis hits." Or, "This is a publication from the American Enterprise Institute so it is just a bunch of Republican lies." If you think anything even like these statements, you are not being serious. We all must get serious about this coming crisis. Our choices will be to raise taxes to an absurd level to keep the current intergenerational funding going, use up an absurd amount of the "discretionary" funds of the federal trough, or to cut back on benefits (which, of course, can not actually happen outside of a financial collapse of our nation). The authors take us through several proposed changes in the way Medicare is funded. First, they look at what happens if the elderly are made to pay the shortfalls, then they examine four proposed reforms: the Medicare Commission proposed reform, Fixing Technology At Retirement, Controlling First Dollar Coverage, and Means Tested Medicare. They then propose something they think will work. Their system is based on a closed cohort system. That is, we group by age brackets and then have that cohort pre-pay their retirement expenses while they are working and use those funds and the accumulated interest to pay for the health care of that cohort. This is not individual retirement or health account; it is a large group of people and therefore acts as "insurance" in the present sense (later in the book the authors rightly point out why old age isn't insurable and why Medicare cannot be considered insurance). They even address the issue of immigration and decide that each cohort must basically cover the shortfall caused by immigrants joining the cohort and not paying for their entire working life. That would be fine except that they admit that legal immigration adds about 21% of the people to each cohort! True, most will pay some and some will pay almost all, but still, it mandates that we control immigration in a serious way. Another problem I have with their plan is the investment portion. They suggest government bonds. I seriously wonder if this can work. Why? Because Congress already uses the Social Security "surplus" to fund current overspending to mask the deficit. Will they honestly be able to avoid using this ocean of money for new spending? Note how the tiny bit of budget surplus led to a demand for a hugely expensive prescription drug benefit. And if the money is actually spent then it will still have to be paid by taxing the then current generation even more to pay for the benefits, the new spending, AND the interest accumulated. I also wonder about their proposed technology fixing idea. That is, the funding is calculated knowing the costs of the medical technology at the time you retire. So, if there were later more costly medical care available, it would not be paid for by Medicare. Right. That will work politically. The first Grammy that dies because she didn't have access to a lifesaving technology because she and her family couldn't pay the difference between what Medicare would pay and the cost of the lifesaving treatment will end that! Their discussion of banning the Medigap insurance that covers first dollar medical expenditures and the extra demand and use of the medical system this generates I found fascinating. Almost everyone agrees that we could indeed spend less on medical care and get similar outcomes. If people had to actually pay smaller amounts as they use medical care it would indeed curb a large portion of the overuse of the system. I favor this proposal most of all. Still, the authors do admit, and this is important, that simply because the costs to the government program will go down, whatever the proposal, it does include a certain amount of cost shifting to the user. This has to be taken into consideration. It makes no sense to have a government program that shifts so much of the burden to the users that it makes it impossible for them to benefit from the benefit. Another serious Medicare issue is its underpayment for the services it uses. At present, a great deal of subsidy for the Medicare program comes from the private insurance companies and from those uninsured who actually pay for the medical care as they use it (a small portion of the population). This is not addressed in the book, but I think it should have been (or maybe I missed it). Medicare is a huge rock rolling down the hill aimed at the heart of our nation's economy. Some serious people have to wake up and address this. Not only authors or academics, but also everyday people have to demand that their politicians take it seriously. We can't allow AARP to dominate the discussion with misinformation or hope that some new pixie dust will come along to save us. We have to do it ourselves. Reading this book and debating what the authors have offered us is a great place to start. 0 of 0 people

found the following review helpful. A desperately needed, scholarly and practical analysis
By Midwest Book Review
Written by Andrew J. Rettenmaier (executive director of the Private Enterprise Research Center, Texas AM University) and Thomas R. Saving (professor of economics, Texas AM University), *The Diagnosis Treatment of Medicare* is a timely scrutiny of the woes of Medicare, which has seen its expenses balloon from, \$200 billion to, \$450 billion over the past decade. As the Baby Boom generation approaches 65, Medicare's demands on the Federal Reserve climb, and threaten to overshadow other policy priorities. *The Diagnosis Treatment of Medicare* is more than a catalogue of Medicare's woes; it proposes workable solutions, and offers meticulous ratings and scorings of different reform ideas from controlling first-dollar coverage to means-tested Medicare and more. Of especial interest is the idea of making a transition to prepaid retirement health insurance and how such a move can be accomplished. A desperately needed, scholarly and practical analysis of a looming governmental problem in dire need of solutions

The Diagnosis and Treatment of Medicare argues that Medicare is in critical condition. Spending has risen dramatically since the program's inception, growing from about \$200 billion to \$450 billion over the last decade. Expenditures have consistently grown at twice the rate of inflation, and at times much faster, outstripping economic growth and absorbing a growing share of federal revenue. The situation will only worsen in the coming decades. As the Baby Boom generation reaches 65, Medicare's demands on federal revenues will climb even more sharply. Left unchecked, Medicare spending threatens to crowd out federal funding for education, energy, the environment, defense, and other important policy priorities. Economists Andrew J. Rettenmaier and Thomas R. Saving offer an innovative remedy to Medicare's woes. *The Diagnosis and Treatment of Medicare* calls for a rethinking of Medicare's financing, its benefit structure and its future. They dissect the existing Medicare program, evaluate a series of previously suggested remedies, and put forward their own "prepayment" solution.

About the Author
Andrew J. Rettenmaier is the executive associate director at the Private Enterprise Research Center at Texas AM University. He is an adjunct associate professor at Texas AM University and a senior fellow at the National Center for Policy Analysis. Thomas R. Saving is director of the Private Enterprise Research Center at Texas AM University. A university distinguished professor of economics at Texas AM University, he also holds the Jeff Montgomery professorship in economics and is a senior fellow at the National Center for Policy Analysis.