

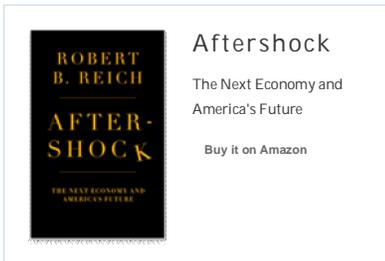


Robert Reich is Chancellor's Professor of Public Policy at the University of California at Berkeley. He has served in three national administrations, most recently as secretary of labor under President Bill Clinton. He has written thirteen books,

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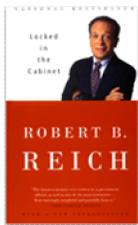
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Mr. President: Why Medicare Isn't the Problem, It's the Solution

TUESDAY, APRIL 12, 2011

I hope when he tells America how he aims to tame future budget deficits the President doesn't accept conventional Washington wisdom that the biggest problem in the federal budget is Medicare (and its poor cousin Medicaid).

Medicare isn't the problem. It's the solution.

The real problem is the soaring costs of health care that lie beneath Medicare. They're costs all of us are bearing in the form of soaring premiums, co-payments, and deductibles.

Americans spend more on health care per person than any other advanced nation and get less for our money. Yearly public and private healthcare spending is \$7,538 per person. That's almost two and a half times the average of other advanced nations.

Yet the typical American lives 77.9 years – less than the average 79.4 years in other advanced nations. And we have the highest rate of infant mortality of all advanced nations.

Medical costs are soaring because our health-care system is totally screwed up. Doctors and hospitals have every incentive to spend on unnecessary tests, drugs, and procedures.

You have lower back pain? Almost 95% of such cases are best relieved through physical therapy. But doctors and hospitals routinely do expensive MRI's, and then refer patients to orthopedic surgeons who often do even more costly surgery. Why? There's not much money in physical therapy.

Your diabetes, asthma, or heart condition is acting up? If you go to the hospital, 20 percent of the time you're back there within a month. You wouldn't be nearly as likely to return if a nurse visited you at home to make sure you were taking your medications. This is common practice in other advanced countries. So why don't nurses do home visits to Americans with acute conditions? Hospitals aren't paid for it.

America spends \$30 billion a year fixing medical errors – the worst rate among advanced countries. Why? Among other reasons because we keep patient records on computers that can't share the data. Patient records are continuously re-written on pieces of paper, and then re-entered into different computers. That spells error.

Meanwhile, administrative costs eat up 15 to 30 percent of all healthcare spending in the United States. That's twice the rate of most other advanced nations. Where does this money go? Mainly into collecting money: Doctors collect from hospitals and insurers, hospitals collect from insurers, insurers collect from companies or from policy holders.

A major occupational category at most hospitals is "billing clerk." A third of nursing hours are devoted to documenting what's happened so insurers have proof.

Trying to slow the rise in Medicare costs doesn't deal with any of this. It will just limit the amounts seniors can spend, which means less care. As a practical matter it means more political battles, as seniors – whose clout will grow as boomers are added to the ranks – demand the limits be increased. (If you thought



Robert Reich: "Patriotic" For Rich To Pay "Fair Share"



Professor Reich's interview with Stephen Colbert, about "Aftershock."



Barnes & Noble, Upper East Side, Manhattan on September 21st, 2010



"AFTERSHOCK: The Next Economy and America's Future"



"Why Public Education is More Important Than Wall Street, and What We Must Do"

All over America right now, public education is in crisis. Teachers are being fired as next year's school budgets shrink. Next fall's classrooms will be far more crowded. Some districts are going to four-day weeks. And the nation's public universities are in deep trouble. The answer is for the federal government to bail out public education until state and local revenues return as the economy strengthens.

After all, the government bailed out Wall Street. What our kids learn — America's human capital — is more important to our

California Democratic Party Convention,
Sacramento Convention Center, Dinner
Speaker, 6-8pm
April 30, 2011

Zellerbach Hall, UC Berkeley Campus at
7pm
May 15, 2011

the demagoguery over "death panels" was bad, you ain't seen nothin' yet.)

Paul Ryan's plan — to give seniors vouchers they can cash in with private for-profit insurers — would be even worse. It would funnel money into the hands of for-profit insurers, whose administrative costs are far higher than Medicare.

So what's the answer? For starters, allow anyone at any age to join Medicare. Medicare's administrative costs are in the range of 3 percent. That's well below the 5 to 10 percent costs borne by large companies that self-insure. It's even further below the administrative costs of companies in the small-group market (amounting to 25 to 27 percent of premiums). And it's way, way lower than the administrative costs of individual insurance (40 percent). It's even far below the 11 percent costs of private plans under Medicare Advantage, the current private-insurance option under Medicare.

In addition, allow Medicare — and its poor cousin Medicaid — to use their huge bargaining leverage to negotiate lower rates with hospitals, doctors, and pharmaceutical companies. This would help move health care from a fee-for-the-most-costly-service system into one designed to get the highest-quality outcomes most cheaply.

Estimates of how much would be saved by extending Medicare to cover the entire population range from \$58 billion to \$400 billion a year. More Americans would get quality health care, and the long-term budget crisis would be sharply reduced.

Let me say it again: Medicare isn't the problem. It's the solution.



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economy than Wall Street's financial capital.

In addition, we should rebalance the economy away from finance and toward people. Congress should enact a small one-half of one percent transfer tax on all financial deals. This might slow down Wall Street a bit but generate \$200 billion a year for our public schools and universities.

Last year, America's top 25 hedge fund managers earned an average of \$1 billion each — enough to pay for 20,000 teachers. Please watch this video, and pass it on.



On financial reform, Dec, 2009 (Produced by Jacob Kornbluth and Raub Shapiro)

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