

Medicare Across Borders

The Challenge of Global Retiree Healthcare

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By Ori Karev

A survey conducted by HSBC and published in the November 15, 2007 edition of *USA Today* found that 45 percent of American adults have considered retiring outside of the United States. As people contemplate their relatively inexpensive retirement idylls under the Mexican or Tuscan sun, however, it is well that they contemplate the risk that they may forfeit their Medicare coverage precisely at the age when the health actuarial tables are turning against them. For retirees who have paid into the system their entire working lives, it must seem curious and unfair that their medical coverage stops at the border. In a globalizing world where quality of care in many places is not an issue, a good case can be made for expanding the Medicare coverage rules.

Under current original Medicare rules, to qualify for coverage one must be a United States resident. Even then, treatment received outside of the United States is extremely limited. Basically, coverage extends only for (i) emergencies (ii) incurred while traveling; (iii) in certain countries (iv) for treatment rendered at certain qualifying facilities.

To avoid the residency requirement, some people maintain dual residences and return to the States for treatment. Naturally, this works only for non-emergencies – it will not help the average victim of a heart attack or fall. Moreover, having two residences defeats the frequent purpose of living abroad, which is to lower one's cost of living. In effect, and contrary to the intent of Medicare, this establishes a means test for such retirees. Others declare their United States residence as a mail drop or at the address of a child or loved one. It may be true that the federal government does not particularly investigate this ruse, but a ruse it is. It theoretically makes these retirees liars and guilty of Medicare fraud. And it still requires that they drag themselves, if possible, back over the border for treatment.

Some retirees do have less-than-ideal options. In some countries, retirees emigrating from the United States may qualify for a foreign national plan. This unfortunately subjects them to a new bureaucracy with a new set of coverage rules frequently expressed in a foreign language. Some retirees may have coverage from their working days, but retiree coverage is already a shrinking phenomenon, let alone a plan which covers service for retirees living abroad (an interesting exception is actually provided by the federal government for military retirees). Private coverage is a theoretical possibility, but there are barriers to a United States insurer issuing it. First, in the United States federal law now standardizes benefits, and those plans, which speak to medical services rendered overseas, cover only emergency care for travelers. Second, a United States insurer typically lacks non-US insurance licenses, and cannot issue policies to non-US residents. This is also an issue with respect to Part D and Medicare Advantage.

The default option, then, may be to purchase primary health insurance coverage from a non-US carrier, which may not be in English, and in any event, will be underwritten for people at an age and health status where they are at best marginally insurable.

Given this set of circumstances, a fairness, and to some extent, an economic argument can be made for expanding original Medicare and Part D to retirees living outside of the United States. From an economic standpoint, in many instances it is actually less expensive to the Medicare program to treat people at comparable facilities overseas than to have them come back, either normally or by medical evacuation, to the United States where the same services are typically much more expensive. Prescription medications are also frequently less expensive outside of the United States.

In adjacent countries, such as Mexico, Panama and Costa Rica, care on par with U.S. standards could be as much as 20-50 percent less expensive than the cost of similar treatment in the US. If one million US retirees in these three countries consumed an average of three thousand USD per annum of medical care, Medicare would save a staggering amount of \$1.5 billion dollars simply by allowing retirees to be treated in these countries. If we were to allow retirees to be treated overseas, we could save enough for Medicare to treat many generations of retirees to come. As it is forecasted that by 2020, at least 33 percent of the US population will be Latino, this group may feel that being treated in Panama City or Monterrey, Mexico is as good as being treated in the US.

Beyond practical economics, however, there is a moral argument. Some may say that the current situation is fair, that any insurance program by definition has winners and losers, and that retirees living abroad have volunteered to be losers. To accept that position, however, we must first agree that international borders really constitute a fair criterion to deny coverage to people who have paid premiums into the system possibly for decades. That is not at all clear. After all, the location of one's retirement does not matter for Social Security retirement benefits. Second, we must also agree to turn people into liars about their residence just to circumvent residency rules. If we really believe in the present rules, then one would think we would be prepared to enforce them. Yet we clearly are not ready to prosecute grandma for seeking benefits after sneaking over the border to see her doctor. Instead we seem to have settled on a patchwork of rules that penalizes those who strictly follow them.

The loss of Medicare benefits can significantly deter the millions of Americans who wish to consider retirement abroad. Yet it is hardly a forgone conclusion that the current rules deterring them are either fair or economically justified. As the world economy globalizes, so should Medicare.

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About the author:

***Ori Karev** is the CEO of UnitedHealth International, a UnitedHealth Group company. In this capacity, he is responsible for leading UnitedHealth International's growth and advancing its position as the leading global health and Well-being Company. Under his leadership, Ori ensures that the company actively pursues its local and global potential in its various market segments: global health insurance, third-party administration, health care management consulting and global health solutions for leading benefit plan sponsors. Mr. Karev holds a BA in Political Science and Labor Studies, an MBA in Finance and International Marketing and a Juris Doctor degree in Law. He is a member of the legal bar of the states of New York and Connecticut.*

For additional information, please contact:

Nancy Calderon
Marketing Consultant
UnitedHealth International
+1 860 702 6614
nancy_calderon@uhc.com