

Summary: The Unsustainable Cost of Health Care

As the nation once again turns its attention to the debate surrounding the reform of our country's health care system, there are abundant resources that policymakers can consult to inform their deliberations. Yet, the Social Security Advisory Board believes it is necessary to offer our own perspectives, not because we are particular experts in health care policy, **but because we believe that the rising cost of health care represents perhaps the most significant threat to the long-term economic security of workers and retirees.** Because of this concern, we have spent considerable time over the last year consulting with experts in the fields of health care financing and delivery systems, researching the issues that influence both the cost and quality of health care, and discussing various prospects for reform. It is our sincere hope that our study as detailed in this report will assist policymakers as they seek to find lasting solutions to improve America's health care system, increase access to health care, and contain health care costs.

Our approach to the discussion of health care is somewhat different from the perspectives taken by experts in the health care field. First, concern with retirement security requires this Board to seriously consider long term trends and the long range implications of policies that affect income security. In this report, we examine the trends in health care spending and discuss their impact on retirees, workers, employers, and the government finances. Current projections indicate that those costs will increase by more than 70 percent over the next ten years and will continue thereafter to consume an increasingly greater portion of personal income.

Second, we examine why health care costs are high and growing rapidly. These costs are growing across the economy and many factors are spurring their overall growth, including new technologies, inefficient delivery systems, the age and health of the population, and other administrative issues. These factors are also driving up the cost of Medicare and Medicaid to unprecedented levels, a fact that is particularly significant as the U.S. population becomes substantially older over the next 20 years. Finally, this report looks at what can be done about health care costs and offers some suggestions for improving the efficiency of the health care delivery system and aligning financial incentives to reward more effective care. Although this Board does not endorse any specific recommendations, we believe that it is essential that policymakers take action to improve the overall efficiency of our health care systems.

For today's retirees, for those retiring in 2009 who are expected to live another 20 years, and for younger workers in their 30s who will not begin their retirements until mid-century, unrestrained health care costs would likely mean a decline in their standard of living. It is an issue that is at the very heart of the long-term economic security of the American public. It is urgent that action be taken and the time for action is now.