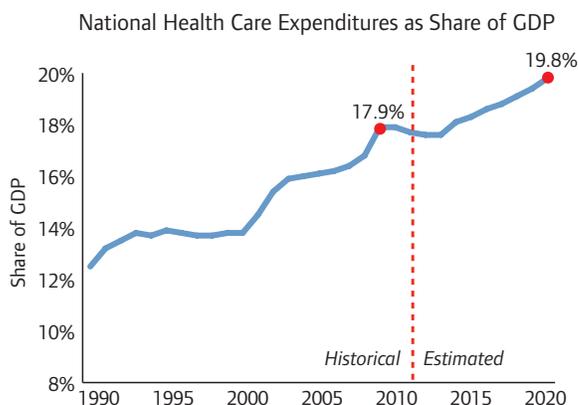




Fast Facts

- Health care costs are skyrocketing. At \$2.6 trillion, they accounted for 17.9 percent of GDP in 2010 and are estimated to increase to 19.8 percent by 2020.¹
- Medicare and Medicaid are significant drivers of health care spending in the United States. Total federal health care expenditures in 2010 were \$810 billion — 5.6 percent of GDP.²
- Medicaid is projected to increase from 7.6 percent of federal spending in 2011 to 10 percent in 2020.³
- Demographic trends contribute to increasing costs. Americans ages 65 or older are expected to grow to 17 percent of the population in the next 10 years.⁴
- Significant costs are also associated with medical liability and malpractice claims. A 2010 study found that the practice of defensive medicine cost an estimated \$45.6 billion in 2008.⁵
- The employer-based health care system insures 169 million Americans.⁶
- The average annual premium for employer-based family coverage was \$15,073 in 2011, up 9 percent from 2010 and 113 percent from 2001.⁷
- Studies indicate that preventative medicine can lower health care costs. A study by the Trust for America's Health found that investing \$10 per person per year in disease prevention programs could save \$18 billion (2004 dollars) in annual health care costs

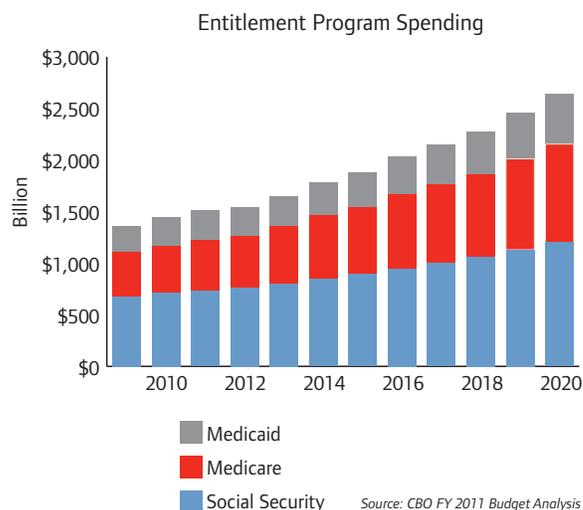
Health care costs are projected to rise from 17.6 percent of GDP in 2009 to almost 20 percent by 2020.



Note: 2010–20 projections were based on the National Health Expenditures released in January 2011. Projections include impacts of the Affordable Care Act.

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census

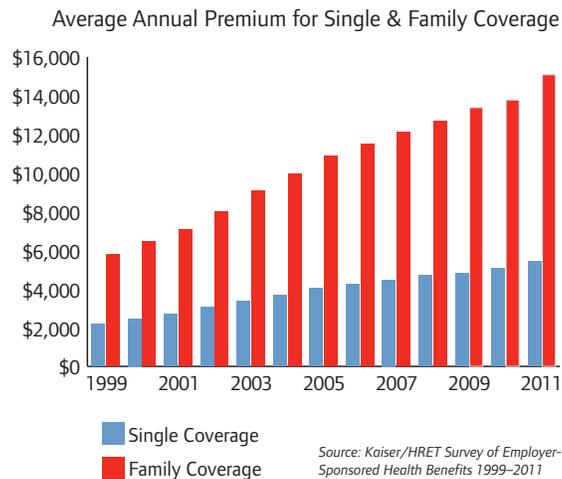
Spending on entitlement programs, including Medicare and Medicaid, is on an unsustainable pathway.



within 10–20 years, producing a return on investment of 6.2-to-1.⁹ Health information technology (IT) could produce up to \$81 billion (2004) annually in efficiency savings.⁹ This is roughly equivalent to 25 percent of annual out-of-pocket health care expenditures for the average U.S. household.¹⁰

- ▶ Widespread adoption of health IT could reduce medical errors, which a Milliman study estimated cost the U.S. economy \$19.5 billion in 2008.¹¹

Average annual premiums for employer-based coverage have increased sharply during the past 10 years.



Business Roundtable CEOs believe maintaining an affordable, innovative and efficient health care system is a critical factor to ensuring a better quality of life for all Americans and a more productive and competitive U.S. workforce.

Although the United States is recognized as a leader in medical technology, research and quality of care, the costs of its health care system are quickly becoming unsustainable. Constituting almost 18 percent of GDP in 2010 and rising at more than twice the annual rate of inflation, soaring health care costs place a growing burden on family, business and government budgets.¹²

A variety of factors endemic to the current U.S. health care system contribute to its escalating costs. Most notably, the U.S. health care system is fragmented, and consumers are insulated from the cost and quality of the services they are provided. Cost-effective prevention and wellness-based programs are often left undervalued, underused and underfunded. Medical care is dispensed and received with relatively little knowledge of its full costs and likely benefits, and doctors and patients are encouraged to pursue treatment more aggressively when earlier preventive measures would have been more effective.

*“Business Roundtable CEOs consistently cite rising medical care costs as their number-one cost pressure. These costs are inhibiting job creation and **damaging our ability to compete in global markets.** Medical care costs are also putting a strain on the household budgets of many Americans.”*

*— John Engler, President,
Business Roundtable*

Government-funded Medicaid and Medicare entail significant inefficiencies and rapidly increasing costs, and providers are not rewarded for high-quality and cost-effective care. As the number of retirees grows, the cost of medical services remains unchecked and competition among private health care providers is limited, these programs will continue to exert a burden on taxpayers.

Efficiency-enhancing and cost-cutting reforms can be introduced at several points in the U.S. health care delivery system while retaining its existing employer-based system, which provides health care coverage to 169 million Americans.¹³ Regulations should recognize the ability of market forces (primarily purchasers and consumers of services) to implement innovative solutions and bring down health care costs.

BRT CEOs believe the private market can drive innovation in the way medical care is dispensed so that consumers can have information on the cost, benefits and outcomes related to the quality of care from physicians and hospitals readily available to enable them to make informed decisions. Moving rapidly toward a health care system that uses electronic records will significantly reduce health care costs. In addition, addressing the issue of medical liability has significant potential to cut costs.

Ultimately, reforms that unleash private market innovation and preserve the ability of employers to offer affordable health benefits will curb costs and allow savings to be passed down to consumers, the business community and government. If America gets health reform right, families win, and the nation becomes more secure economically and financially.

Solutions

- ▶ At every opportunity, **adopt policies that provide greater transparency** to unleash consumers to reduce costs and seek quality health care services. Today, almost anything can be found on the Internet, yet in health care, consumers still cannot access understandable information on cost, quality and outcomes. Policies should empower consumers in the health care marketplace by ensuring that they have cost and quality information, access to wellness and chronic care programs, and competitive coverage options.
- ▶ **Enact medical liability reform** to ensure that patients do not lose access to physicians and a full range of health care services.
- ▶ **Adopt policies that seek to expand the private health care market** and promote market-based competition.
- ▶ **Fix what is wrong with the current health care law**, including eliminating unnecessary or duplicative requirements and eliminating unnecessary taxes on medical devices, insurance plans and pharmaceuticals that raise the cost of care without improving quality. Regulation should enhance competition and transparency — and avoid regulating the cost of health care coverage.

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STABLE POLICIES THAT ENSURE RETIREMENT SECURITY

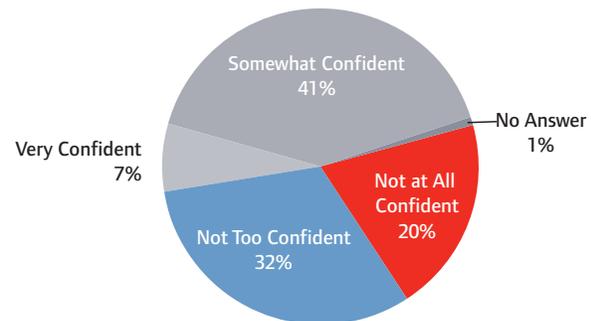


Fast Facts

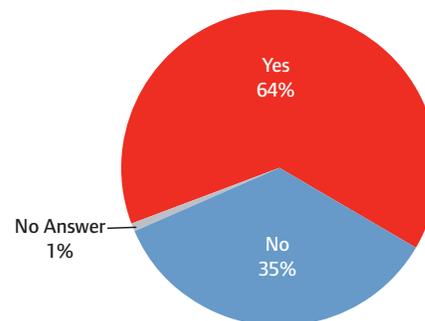
- ▶ As of September 30, 2011, tax-qualified retirement plans held \$17 trillion in assets. These assets provide long-term investment capital, fuel growth, create jobs and boost economic security.¹
- ▶ In the private sector, there were 67 million participants in defined contribution plans and 19 million participants in defined benefit plans as of 2007.²
- ▶ Seventy-three percent of full-time private-sector workers have access to a retirement plan at work, and employer-sponsored retirement plans paid out \$836 billion in benefits in 2010.³
- ▶ In 2010, Social Security paid \$577 billion in retirement benefits to 44 million people.⁴
- ▶ By 2036, the combined Social Security Trust Funds will be fully exhausted, and program income will cover only about 75 percent of expenditures.⁵
- ▶ Fifty percent of workers indicated that they are not confident about having enough money to live comfortably after retiring,⁶ and nearly three-quarters of baby boomers report that they intend to work past their retirement years.⁷

Recent survey data suggest that Americans are increasingly pessimistic about their retirement finances.

Looking ahead to your retirement, how confident are you that you will have the financial resources to live comfortably during your retirement?



Do you think you will do any work for pay after you retire, or not?



Source: Associated Press-LifeGoesStrong.com survey, October 2011

In the late 1930s, when Social Security first started, roughly half of the U.S. population lived to be at least 67 years old. Today, more than 80 percent live to be at least 67, and half the population will reach the age of 82.⁸ As America continues to age, promoting prudent retirement saving and ensuring a fiscally sustainable Social Security safety net become ever more essential public policy goals.

Stable and predictable policies that promote retirement security and economic growth are essential to ensure a reasonable standard of living for most Americans in retirement and to make the United States a more attractive place for skilled workers and businesses. While the primary responsibility for ensuring a secure and comfortable retirement lies with the individual, employers and government also play key supporting roles through Social Security and employment-based retirement plans and in informing Americans about their retirement options.

Social Security

Social Security has provided a reliable level of retirement security for decades, but demographic changes mean that the system is not sustainable in its current form. Social Security reform is needed so that it can remain the bedrock of Americans' retirement security. Reforms that bring Social Security into long-term financial balance should be made as soon as possible to minimize disruption and allow time to plan.

Although Social Security must meet its promises to current retirees and those nearing retirement, long-term benefit promises must be based on demographic and economic realities. In particular, further increases in payroll taxes are not a panacea; they would increase costs of employment and should be viewed through the lens of potential job loss and slower economic growth.

“Pension policy must provide employers with the certainty that will allow them to make new capital investments, to hire new employees, and to make R&D investments.”

— Larry Zimbleman, Chairman, President and CEO, Principal Financial Group, Inc.

Employment-Based Retirement Plans

Robust employment-based defined benefit and defined contribution retirement plans are an indispensable component of America's national retirement savings strategy. The success of those plans is predicated on tax rules that create incentives for employers to contribute to retirement plans and that encourage workers to save. In the past, retirement tax policy has sometimes been changed based on a short-sighted focus on immediate budgetary savings, without consideration of the potential long-term economic and social damage caused by such changes. That approach is counterproductive. Policies that promote long-term savings and investment offer the best path to sustainable economic growth and ensure greater retirement security.

At the same time, complex and burdensome new regulations, along with a growing threat of unjustified legal actions, continue to increase costs and discourage employers from establishing and maintaining retirement plans. To compete in a global marketplace, employers must have flexibility to implement retirement plans that attract and retain qualified employees. In particular, the current funding rules inadvertently impose volatile and unpredictable contribution requirements on employers, which is contributing to slowing the economic recovery and hampering job creation.

Individual Responsibility

To achieve financial security in retirement, most Americans will need to make regular additions to savings. They also will need to make responsible decisions about when to retire and how to spend down their retirement savings prudently. Current policies can create disincentives to continued work, impose barriers to phasing into retirement and discourage employers from educating workers about retirement issues.

Solutions

- ▶ **Retain current tax policy**, with its strong, consistent incentives for employers and employees to contribute to defined benefit and defined contribution retirement plans. These contributions are a key component of America's national retirement savings strategy.
- ▶ While it is important that all defined benefit plans be systematically funded to ensure that benefits are paid, **modify the current private-sector funding rules** to eliminate volatile and unpredictable contribution increases, especially during periods of economic downturn.
- ▶ **Ensure that laws and regulations safeguard retirement fund assets.** They should not subject employers to costly administrative burdens or penalties, unwarranted litigation, or excessive Pension Benefit Guaranty Corporation premiums.
- ▶ **Ensure that policies do not discourage retirees from continued work or phasing into retirement.** Regulations should not discourage employers from informing workers about saving for retirement and aiding employees with investment decisions or other financial choices.
- ▶ **Enact reforms that bring Social Security into long-term financial balance** as soon as possible to minimize disruption and give Americans the lead time to plan appropriately.

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