

World Demographic Assn. & Think Swiss Workshop  
“Reinventing Retirement and Quality of Life: Social Security and Healthcare in Aging Societies”  
Embassy of Switzerland  
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Keynote Remarks – John Rother  
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## **Social Security, Medicare, and the Climate for Reform**

Thank you. Ambassador Ziswiler. Dr. Sousa-Poza. Ladies and gentlemen; colleagues and friends. It's a privilege to be here, and in such distinguished company.

Today is Election Day in America – our quiet, off-year, mostly local Election Day. Most of us get to take a deep breath today. Then we have to hold it for a year. That's because our next Election Day – November 4, 2008 – is, I believe, as important an election day as we will have seen in this country in a very long time. I want to talk about that in a few minutes, and about how AARP is involved with the biggest voter education effort we've ever taken on. And how *that* effort relates to the topic of the day here: the future of Social Security and health care in aging societies.

I say it is a privilege to be here, and I really mean that. It's an honor for me personally, but really AARP is the reason I'm here, and it's been a special thing for us to be so involved with the international community, as we have been through AARP International, in this era of global aging. I want to thank Line Vreven and her entire staff for their hard work in bringing AARP to the world beyond our borders.

We have a responsibility to share what we have learned over the years as the world's largest membership organization for people 50+. And we are committed to playing a leadership role, with our sights set on a more prosperous and equitable future for all – a future that includes positive, productive roles for older people.

At the same time, as we have already seen from our outreach to Europe, Asia, Oceania, and Canada, we have much to learn from other countries, and how they approach the issues that are so important to us. So I am grateful on behalf of all my colleagues for the opportunity to be part of today's workshop. It is very timely. And if we can actually learn how to “Think Swiss,” so much the better.

In the materials I have, I see that the panel discussions are focused on the reform of Social Security and the reform of Medicare – or the reform of health care – I've seen two versions of the agenda. But it really doesn't matter, because the fact is you can't talk about reforming Medicare without talking about reforming our entire health care system.

There is a lot of scare talk in the U.S. about how the aging of the Boomers is going to break the bank. How the costs of our two great social insurance

programs – Social Security and Medicare – are going to overwhelm our national budget and our economy. Author Christopher Buckley has even coined a term for where we're headed: *Boomsday!*

It's true that the Social Security surplus will decline over time as our population ages and the ratio between the number of workers and the number of retired people falls. Everyone recognizes that we have to take steps to shore up the program if we are to maintain its long-term solvency. There are politics – and ideology – involved, of course. So far the presidential candidates have been handling the issue like the hot potato we all know it can be. But really, Social Security does not require radical reform. We already know how to fix it with a few well-targeted changes. We can adjust the payroll tax base back to the level of 25 years ago; we can enroll state and local government employees who are outside the system now; we can invest a portion of trust funds in equities ... there are a number of good options, and our polling tells us the American public is ahead of the politicians in supporting needed changes.

It's also true that the sooner we do this, the less pain there will be. However, politically, it's hard to see how we can take on Social Security and Medicare at the same time, despite some murmuring on the Hill about a bipartisan task force. If you look at what the candidates are focusing on – and they're responding to public concern – the big emphasis is on health care. And rightly so.

While the fiscal outlook for Social Security is a good deal better than it is generally portrayed, Medicare is another matter. Long-term projections are always tricky, but policymakers do pay attention to them, and the projections for Medicare are sobering. GAO has Medicare's cut of federal revenues doubling to more than one-quarter by mid-century. The Medicare's Trustees report projects program's spending to 7.3 percent of GDP by 2035, up from 3.1 percent today. And it's projected to keep growing even as Social Security levels off.

Where the doomsayers go wrong is when they place the blame for this at the feet of our aging population – the Boomers. Medicare costs have been rising faster than the economy for decades, but contrary to the received wisdom, population aging is not the chief cause. Only about one-sixth of Medicare's growth since 1970 is due to demographic aging. And longevity isn't the problem either – lifetime costs don't really change for the longer lived, they just get spread over more years. No, what's happening with Medicare is largely a reflection of what's happening with health care in general in the U.S., and the reality is, costs are out of control throughout the system.

We spent about \$2 trillion on health care last year – over \$6,500 a head. That's more than 16% of GDP, far more than any other industrialized country. Average per capita spending for peer nations is around \$2,300. Where's Switzerland? About \$4,000, I believe, so you're high too – but we're 60 percent higher. The average premium for employer-sponsored family coverage is over \$12,000.

Now that would be one thing if we were getting our money's worth, but we're not. The U.S. lags well behind other developed countries in broad measures of performance, like life expectancy and infant mortality, and a recent study by the Commonwealth Fund comparing the U.S. system to systems in Australia, Canada, New Zealand, the UK, and Germany – I don't know how Switzerland dodged this bullet – ranked us dead last overall. That study looked at quality, access, efficiency, equity, and a category called "healthy lives" (which measured mortality amenable to health care, infant mortality, and healthy life expectancy at age 60). The U.S. ranked last or next-to-last on all five.

So health care has to be our number one priority. If we're going to have any hope of putting Medicare on a sound fiscal footing – and keeping health care from eating our economy whole – we're going to have to rein in health costs across the board. The two trillion dollar question is: How?

Well, you have to go after the cost drivers, of course, and while there are a number of them, three stand out. Number one, technology. In most sectors of the economy technological advances have lowered costs, but not in health care. Technology accounts for at least half the growth in health spending since 1965. Number two is the volume of services – or rather the intensity of their utilization. And the third is the continuing sharp increases in the costs of brand-name prescription drugs.

Technology. There's a medical arms race going on, and we have to get control of it. Just one example: imaging services. The use of MRIs and PET scans has grown enormously – far more than physician services – but there is evidence that this increased use isn't really helping to improve outcomes for patients. We need to apply comparative effectiveness analysis to new technologies and procedures. Something along the lines of NICE – the National Institute for Health and Clinical Excellence – in the UK.

Overutilization. We have a provider-centered health system, and fee-for-service reimbursement is at the root of it. If you're familiar with the Dartmouth Atlas Project you know that Medicare paid tens of thousands more per chronically ill patient during the last two years of life in some areas of the country than others – with no corresponding benefit in terms of longer life or patient satisfaction. In fact, regions with the best quality and outcomes had the lowest costs, with fewer hospital admissions, less use of ICUs, fewer visits to specialists.

If practice across the country met the standards of these lower-cost regions, *Medicare would have saved one-third* – and patients would have been better off. Clearly, we have to change the way we pay providers, focusing on quality and outcomes – *performance* – not type and quantity of services. In Medicare, a third of beneficiaries – those coping with multiple chronic conditions – account for almost 80 percent of spending. The numbers for the general population tell

basically the same story. So this is imperative. Patient-centered, coordinated care, in accordance with best-practice guidelines, is what we should be rewarding. And patients need a “medical home” like they have in many European countries.

Prescription Drug Prices. America pays the highest prices in the world for prescription drugs. Brand-name drug prices are going up at more than double the rate of general inflation year after year. Generics are the exception. Generic prices have remained stable. But consumers and health-care providers lack the information necessary to compare alternatives. We need to greatly expand the use of evidence-based comparative-effectiveness research to cut through the fog of marketing and direct-to-consumer advertising.

There are other cost drivers. In addition to being a moral scandal, 47 million uninsured drives up the cost of insurance for everybody else. And no other country has anything like our administrative costs. We’re drowning in paper. And there is waste and inefficiency everywhere you turn. We have to bring the practice of medicine into the 21<sup>st</sup> century. That means Health IT, and that means process engineering, both of which could save enormous sums.

Also, we have to pay a lot more attention to the demand side. Health-related behaviors account for 40 to 50 percent of morbidity and mortality – that’s a high price to pay for unhealthy behaviors. It’s critical that we use all the tools available to us to promote wellness and prevention. We need to transform health care in America from a system designed primarily to treat disease to a system designed primarily to keep people healthy. Medicare is a good place to start. By sheer force of numbers, Medicare is in the best position to lead change in our health care delivery system. We need to tap that power.

Ok. But what about the political climate for change? Earlier I mentioned how focused we are at AARP on the next election. We are a nonpartisan organization. We don’t have a PAC and we never endorse candidates. But we do think this election is critical.

There is so much anxiety out there. When you go around the country and talk to people, you find out they’re anxious about the future. The Iraq war has everybody on edge, and polls show that it’s the number one issue on the campaign trail, as you’d suspect. But the anxiety we’re finding goes much deeper than the war.

People are worried about their health and financial security – and with costs being what they are, the two are inextricable now. Even if they have insurance, many worry they could be just one serious illness or injury away from bankruptcy. In fact, medical expenses have become a key factor in half of all bankruptcies. And with employers limiting or dropping coverage, and the lack of portability, cost

and access start to look like two sides of the same coin, and people do fear being left out in the cold.

But when I say people are worried about the future, I don't just mean for themselves – they're worried for their children and grandchildren. For the first time anyone can remember, people believe that the next generation will be worse off than we are now. We've found that in our polling. People believe they're better off than their parents were, but they believe their children are going to be worse off. For a nation built on optimism, that is a profound shift. What it says is, for far too many people, the American Dream is coming apart. And that is something we take very seriously at AARP. So seriously, in fact, that we have launched the most ambitious initiative in our history to help turn things around.

Our campaign is called Divided We Fail, and it's an all-out national campaign. We're joined with the Business Roundtable, which represents the nation's top corporate executives, and SEIU (the Service Employees International Union), the nation's fastest growing union. We're also working with other organizations, some focused on health and others on financial security.

We have a basic platform that we have agreed on. It boils down to this: We believe all Americans should have access to affordable, quality health care. We believe all Americans should have peace of mind about their future long-term financial security. And we believe the cost of achieving these things should not be left to future generations. We need to take responsibility for them now, before they get away from us.

Our aim is make health and financial security front-and-center issues in every race, and especially the presidential race, beginning with the earliest primaries. We're in the grassroots – this is AARP's strength. Wherever the candidates turn, they will see our red-shirted volunteers. And we'll have an air game to go with the ground game – TV, radio, the web.

Divided We Fail is new and different – a real strange bedfellow coalition. Consumers, business, labor setting aside their differences and speaking with one voice. If you're looking for insight into the political climate, this speaks volumes, I think: this is political *climate change*.

A key difference from the last time we took up health care reform in this country – besides this profound underlying sense of anxiety – is the global economy. Our high-cost employer-based health care system has become an enormous handicap for businesses striving to be competitive globally. In fact, predictions are that the average Fortune 500 company will spend as much on health care as it makes in profits next year. So now you have leaders from business, labor, the health professions, nonprofits joining forces in combinations that would have been unthinkable not so long ago. And what that tells you is how really bad things have gotten, and how frustrated people are with partisanship and gridlock.

And then too, maybe we've finally learned our lesson from all the failed attempts to reform health care in the past – and this is a history that goes back to Roosevelt, the *first* Roosevelt.

What we've learned is, success is going to require broad agreement from people and interests who haven't often agreed about much. And what's true on the health side is equally true on the economic side. The fate of the recent effort to carve private accounts out of Social Security is as good an example as there is. Without consensus, you're going to stall out.

AARP sees its role as actually helping to create the political conditions for moving forward. 2009 is an opportunity for a fresh start. Our goal is that whoever is elected will have a clear mandate to address health reform – and I mean mandate in both senses: both the political capital to do what's needed and a direct order from the American public to get it done.

After the elections, we have to be prepared to get into the nitty-gritty, and we're working on that. We're developing what we believe is a coherent and integrated set of ideas for fundamental, long-term reform, both for health security and for financial security. We don't expect change to happen overnight – or all at once, for that matter. We realize some hard choices, and trade-offs, lie ahead. But AARP is not your average pressure group. We're solutions-oriented – we're committed to being constructive and to helping to put the building blocks in place for the future we envision.

What we're talking about, after all, is a new American Dream for the 21<sup>st</sup> century – a dream built on health and financial security for all within a healthy, growing economy – now and for generations to come. I realize that's a tall order. But speaking as a Boomer, I think we owe it to ourselves – and to the future.

My best wishes for a provocative and productive workshop. Thank you.

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