

PRESIDENT'S CORNER SEPTEMBER 12, 2012

High Health Care Costs Impact Retirees and America's Economy

My attention was drawn to a recent Reuters article pointing out that U.S. health insurance premiums have climbed faster than wages and inflation this year, and look poised to accelerate in 2013. I want to first share with you some important points in the article that threaten to undermine your retiree income security. Then I will comment on my passionate belief that messages the National Retiree Legislative Network has been consistently offering are important calls to move members of Congress to take action.

Reuters reported on a study by the nonpartisan Kaiser Family Foundation and the Health Research and Education Trust. This report is based on data from the study's January-to-May survey of 2,100 public and private-sector employers and reported that:

Premiums for employer-sponsored health plans, which cover about 149,000,000 Americans, grew at 4 percent to \$15,745 in 2012.

This year's 4 percent increase eclipsed a general inflation rate of 2.3 percent. Some employers told researchers that insurers plan to push premiums up another 7 percent in 2013.

Premiums for employer health plans have doubled over the past decade, with worker contributions surging, on average, to \$4,316 from \$2,137 in 2002.

Employer contributions hit an average \$11,429 this year, up from \$5,866 in 2002. But this year, the impact of the slow economy on insurance premiums also appears to have been magnified by employers switching to lower-cost, high-deductible health plans that increase out-of-pocket expenses for workers.

The study's authors said higher costs still took a bigger bite from the income of middle-class employees, whose wages advanced only 1.7 percent in 2012, as employers shifted more health care costs to their workers.

Company sponsored plans have been the pillar of the \$2,8 trillion U.S. healthcare system but that it has been weakened after decades of uncontrolled healthcare cost increases.

Although the study was on health care costs for employers and workers, we can relate the impact of the continuing rise in health care cost to retirees. The ever-increasing cost of health care insurance is one of the main reasons that many employers have reduced or eliminated insurance coverage for retirees. Skyrocketing costs retirees encounter with doctors, hospitals and prescription drugs have had a major financial impact on Medicare and what Medicare beneficiaries are paying out-of-pocket.

The economic future of our country and economic security of retirees and the country itself depend upon finding ways to reduce per capita healthcare costs. You can't erode fixed income of retirees who are becoming the largest segment of U.S. consumers and expect them to buy goods and services needed to sustain jobs and certainly can't expect anything but lower per capita federal tax revenue from those on fixed incomes.

Media writers and politicians talk about health care costs in a vacuum. They never seem to focus on per capita cost increases but instead refer to price increases and cost increases like they were the same--they are not!. They refer to runaway Medicare costs as though Medicare is causing the entire budget problem. In fact, failure to recognize the growing number of baby boomers coupled with the failure to raise the payroll tax accordingly in order to adequately fund Medicare is a major factor. It is service provider and manufactured product cost changes passed along to consumers that drive per capita consumer healthcare prices. Middlemen add overhead & profit to cost, thus creating these higher per capita market prices.

The data puts to rest any doubt that there is absolutely no way that privatization, Medicare Advantage plans (without subsidies) or a voucher system could ever work!!! This is not political party or candidate rhetoric, it is simply a matter of what facts tell us:

Insurance companies and Medicare access and resell exactly the same health care products and services to retirees & all consumers.

Insurance company overhead (12-13%) and profit (5-7%) adds 17-20% to the purchase cost of products and services they offer.

Retirees and consumers pay insurance companies ever-increasing premiums, deductibles and co-payments that absorb their true purchase costs to which they add overhead and profit increases.

Medicare has 48,000,000 beneficiaries and thus more leverage to buy health care products and services than several insurance companies combined, YET CONGRESS WILL NOT ALLOW MEDICARE TO INITIATE COMPETITIVE BIDDING for prescription drugs and other purchases!!!

Medicare's total administrative or overhead cost is less than 2% of all products and services provided to the 48,000,000 beneficiaries.

So why is Medicare, with 15-18% lower overhead and superior volume leverage to push for lower true costs, not the preferred choice? Why would we want:

To pay 12-17% subsidies (Medicare Advantage Plans) so some in Congress can claim privatization offers a better deal than Medicare?

To ever consider privatization of Medicare (with subsidies)? Wouldn't this destroy the most efficient competitors?

To subsidize to create "competition" when subsidies are paid directly from the Medicare fund? The reality is that 75% of Americans eligible for, enrolled in and who pay premiums to Medicare are paying insurance companies to offer dental care or other fringe benefits and finance a big chunk of their overhead and profit so they can offer privatization – IN A NUTSHELL, THIS IS REALITY.

Pharmaceutical and health care insurance lobbies have bought their way into the bedrock of Congress (Democrats and Republicans alike) with campaign contributions and industry "studies" that make no sense and our elected members of Congress are drinking the "kool-aid".

The NRLN has and will continue lobbying Congress for legislation to reduce health care costs by: (1) Importation of safe, less costly prescription drugs since many of the ingredients for drugs "made in the USA" are already being imported; (2) Eliminate barriers to the more rapid advancement in availability of generic drugs; (3) Authorize Medicare to do competitive bidding for prescription drugs and all other products and services it provides; (4) Oppose privatization (with subsidies) of Medicare without regard to political party or proposals by members of Congress or incumbent Administrations.

Bill Kadereit, President
National Retiree Legislative Network

