

National Health Spending, p. 1

Income of the Elderly, p. 4

Washington Update, p. 8

EBRI in Focus, p. 10

New Publications & Internet Sites, p. 11

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Notes

National Health Spending Up 8.7 Percent Between 2000-2001; Spending for Health Care Will Continue to Grow

by Paul Fronstin, EBRI

Introduction

According to the Centers for Medicare & Medicaid Services (CMS), national health expenditures increased 8.7 percent between 2000 and 2001, reaching more than \$1.4 trillion (Figure 1).¹ The private sector accounted for 54.6 percent of national health spending, and the public sector accounted for 45.4 percent of national health spending.

Public spending does not include government contributions for health insurance for public-sector employees. Because the government is playing the role of employer, CMS classifies these expenditures as private-sector spending. Furthermore, forgone tax revenue not collected because of the tax preference for spending on health care services is not counted as spending by CMS. These points are discussed further below.

While the growth rate in health spending slowed to below 6 percent for much of the 1990s, it is currently accelerating (Figure 2). Between 1970 and 1980, the average annual growth rate in health care

spending was 12.9 percent; between 1980 and 1990 it was 11.0 percent; between 1990 and 1993 it was 8.5 percent; and between 1993 and 1999 it was 5.4 percent. But between 1999 and 2000, the average annual growth rate in health care spending started rising again, and was 7.4 percent; between 2000 and 2001 it was 8.7 percent, well above the average between 1993 and 1999.

National health spending, measured as a percentage of gross domestic product (GDP), remained constant during much of the 1990s at roughly 13.5 percent, up significantly from 8.8 percent in 1980 (Figure 1). Health care spending today is not nearly as high as it was expected to be: In 1992, HCFA projected that it would reach 15.6 percent of GDP in 1995 and 18.1 percent in 2000. However, spending as a percentage of GDP is starting to show signs of acceleration, rising to 14.1 percent in 2001. The projected growth did not materialize until recently because both the private and the public sectors increasingly enrolled individuals in managed care plans, and provisions of the Balanced Budget Act of 1997 (BBA '97) that reduced federal Medicare reimbursements took effect. Another reason for the plateau in health care spending as a percentage of GDP may be that growth in overall GDP has been accelerating and was higher than the recent growth in national health spending. The recent growth in health spending as a percentage of GDP was due less to health spending increases

than to slower economic growth from the recession that began in March 2001, which was exacerbated by the terrorist attacks in September 2001.²

The next two sections present CMS data on private-sector and public-sector health spending. The final section discusses health care spending projections and raises some questions about how this spending is financed.

Figure 1
**NATIONAL HEALTH EXPENDITURES BY SOURCE OF FUNDS,
 SELECTED YEARS 1970–2001**

	1970	1980	1990	1995	2000	2001
(\$ billions)						
National Health Expenditures	\$73.1	\$245.8	\$696.0	\$993.3	\$1,310.0	\$1,424.5
Private	45.4	140.9	413.5	537.3	718.7	777.9
consumer	40.6	126.4	370.8	494.6	643.7	701.6
direct payments (out of pocket)	25.1	58.2	137.3	170.5	194.7	205.5
private health insurance	15.5	68.2	233.5	324	449.0	496.1
other private	4.8	14.5	42.8	42.7	75.0	76.3
Public	27.6	104.8	282.5	456	591.3	646.7
federal	17.6	71.3	192.7	326.1	415.1	454.8
Medicare	7.7	37.4	110.2	185.3	224.4	241.9
Medicaid	2.8	14.5	42.5	86.4	117.7	129.9
other federal	7.1	19.4	39.9	54.5	73.1	83.0
state and local	10	33.5	89.8	129.8	176.2	191.8
Medicaid	2.4	11.5	31.1	59.8	84.7	94.3
other state and local	7.6	22	58.7	70.1	91.4	97.5
(as a percentage of total national health expenditures)						
National Health Expenditures	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private	62.1	57.3	59.4	54.1	54.9	54.6
consumer	55.5	51.4	53.3	49.8	49.1	49.3
direct payments (out of pocket)	34.3	23.7	19.7	17.2	14.9	14.4
private health insurance	21.2	27.7	33.5	32.6	34.3	34.8
other private	6.6	5.9	6.1	4.3	5.7	5.4
Public	37.8	42.6	40.6	45.9	45.1	45.4
federal	24.1	29.0	27.7	32.8	31.7	31.9
Medicare	10.5	15.2	15.8	18.7	17.1	17.0
Medicaid	3.8	5.9	6.1	8.7	9.0	9.1
other federal	9.7	7.9	5.7	5.5	5.6	5.8
state and local	13.7	13.6	12.9	13.1	13.4	13.5
Medicaid	3.3	4.7	4.5	6.0	6.5	6.6
other state and local	10.4	9.0	8.4	7.1	7.0	6.8
National Health Expenditures as a Percentage of Gross Domestic Product (GDP)	7.0%	8.8%	12.0%	13.7%	13.3%	14.1%

Source: Katharine Levit et al., "Trends in U.S. Health Care Spending, 2001," *Health Affairs* (January/February 2003): 154–164.

^a Not applicable.

from private health insurance, and 10.6 percent from other private expenditures. By 2001, the numbers for direct consumer payments and private health insurance were more than reversed: Direct consumer payments accounted for 26.4 percent of all private health spending, and private health insurance accounted for 63.8 percent. Other private expenditures were 9.8 percent.

Private Spending

According to CMS, the private sector accounted for 54.6 percent of health care spending in 2001, down from 62.1 percent in 1970, although up slightly from 1995 (Figure 1). In 2001, private health insurance accounted for 34.8 percent of total national health expenditures, compared with 21.2 percent in 1970 and 33.5 percent in 1990. Between 1970 and 1990, private health insurance accounted for an increasing share of all private-sector

spending. This share declined slightly during the 1990s, but is now increasing again.

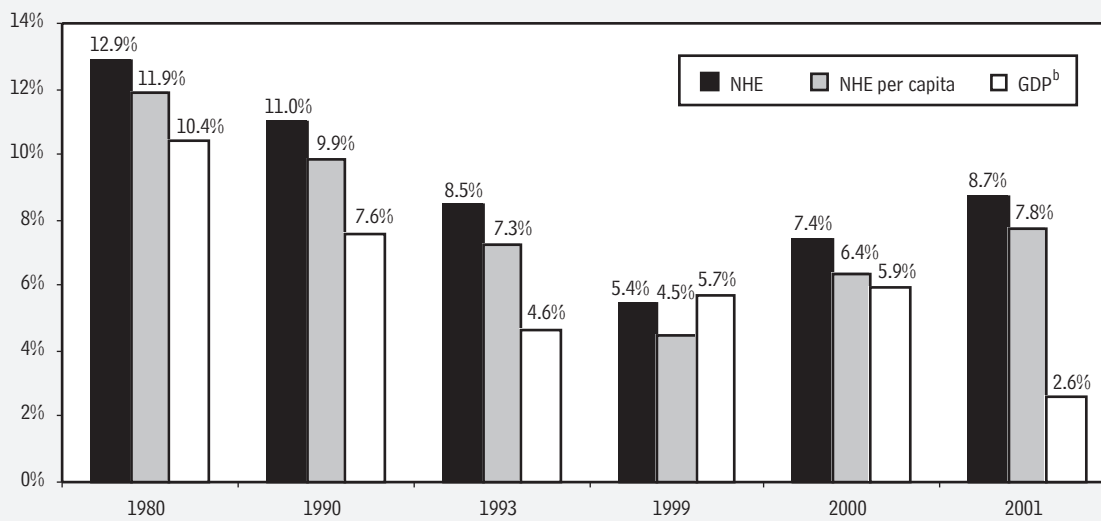
Private-sector health spending has risen each year since 1980. At that time, private spending was \$140.9 billion (or \$531.5 billion in 2001 dollars). Private health spending equaled \$777.9 billion in 2001, an increase of \$59.2 billion (or 7.6 percent) from the prior year.

In 1970, 55.3 percent of all private-sector health expenditures came from direct consumer payments (out of pocket), 34.1 percent

Public Spending

Public sources of health spending accounted for 45.4 percent of national health care expenditures in 2001 (Figure 1). In 1970, public sources accounted for 37.8 percent of the national health expenditures. Among public sources in 2001, federal health spending represented 70.3 percent of all public health spending, compared with 29.7 percent for state and local government health spending. In 1970, federal government spending was 63.8 per-

Figure 2
NATIONAL HEALTH EXPENDITURES (NHE) AVERAGE ANNUAL GROWTH FROM PRIOR YEAR SHOWN, SELECTED YEARS^a 1980-2001



Source: Katharine Levit et al., "Trends in U.S. Health Care Spending, 2001," *Health Affairs* (January/February 2003): 154-164.

^aAverage annual growth between 1970 and 1980.

^bGross domestic product.

cent of public spending and state and local government spending represented 36.2 percent of public spending.

Total public health expenditures in 2001 amounted to \$646.7 billion (Figure 1), compared with \$282.5 billion in 1990 and \$27.6 billion (\$116.4 billion in 1998 dollars) in 1970. Spending at the federal and state and local levels has also changed over the years. Federal spending in 2001 was \$454.8 billion, up from \$192.7 billion in 1990.

State and local government health spending as a percentage of national health expenditures did not change significantly between 1990 and 2001. In 1990, state and local health spending was 12.9 percent of national health expenditures. By 2001, this figure was 13.5 percent. However, federal spending as a share of national health spending rose from 27.7 percent in 1990 to 31.9 percent in 2001. In 1970, federal spending as a percentage of national health expenditures amounted to

24.1 percent. At the state and local government level, it was 13.7 percent.

Medicare, the health insurance program for the elderly and disabled, and Medicaid, the health insurance program for the poor (both enacted by Congress in 1965), are the two largest government health care financing programs. In 2001, Medicare expenditures were \$241.9 billion and Medicaid expenditures (by the federal and state governments) were \$224.2 billion. In 1970, Medicare spending accounted for 27.9 percent of all public spending on health care, and Medicaid spending accounted for 18.8 percent of all public health care spending. By 2001, these percentages had increased: The Medicare portion of spending was 37.4 percent of all public health expenditures, and Medicaid accounted for 34.7 percent.

Projections and Questions

CMS projects that national health spending will be \$1.5 trillion in 2002

and \$3.1 trillion by 2012.³ The agency also estimates that national health expenditures will increase as a share of GDP: National health expenditures as a percentage of GDP are projected to be 14.8 percent in 2002 and increase to 17.7 percent by 2012.

Precise estimates of national health expenditures are difficult to project. Future legislation and technological innovations could have a definite impact on either public or private spending on health care. The above projections assume that current laws will remain in effect. Additionally, any legislation to add prescription drug benefits to Medicare or ensure the solvency of the program could affect total health expenditures. Changes in the U.S. economy could also affect health spending.

Recently, questions have been raised regarding methodological assumptions used to derive national health expenditure estimates.⁴ First, as mentioned above, public-

sector employer contributions toward employment-based health insurance are counted as private-sector spending because these employers often purchase private-sector health insurance for workers. It should also be noted that 30 percent of all workers enrolled in a state or local government health plan were in self-insured plans.⁵ Whether or not all or part of the funding should be counted toward public spending is a matter of debate.

The second question about CMS's methodology concerns the preferential tax treatment of health benefits provided in the work place and the treatment of other tax collections forgone as a result of health and social policy carried out through the tax law. It has been estimated that the forgone tax revenue at all levels of government was \$124.8 billion in 1998.⁶ If HCFA estimates of national health spending had included forgone tax revenue as public spending—as the Treasury has done since 1974 in response to an act of Congress—and had re-allocated spending for employment-based health insurance by public-sector employers to public spending, private spending would account for 44 percent of all health care spending while public spending would account for 56 percent. This raises questions as to how much money the United States actually spends on health care and the true allocation of those dollars, and implies that future research is needed to continue to examine this issue.

Endnotes

¹ Katharine Levit et al., "Trends in U.S. Health Care Spending, 2001," *Health Affairs* (January/February 2003): 154–164.

² Katharine Levit et al., *ibid.*

³ Stephen Heffler et al., "Health Spending Projections For 2002–2012," *Health Affairs*, Web Exclusive, February 7, 2003: W3-54–65.

⁴ See Ken McDonnell and Paul Fronstin, *EBRI Health Benefits Databook* (Washington, DC: Employee Benefit Research Institute, 1999); Daniel M. Fox and Paul Fronstin, "Letter to the Editor: Public Spending For Health Care Approaches 60 Percent," *Health Affairs* (March/April 2000); and Katherine Levit, "Letter to the Editor: The 'Right' Accounting Approach: Author's Response," *Health Affairs* (March/April 2000).

⁵ Ken McDonnell and Paul Fronstin, *ibid.*

⁶ John Sheils and Paul Hogan, "Cost of Tax-Exempt Health Benefits in 1998," *Health Affairs* (March/April 1999): 176–181.

Income of the Elderly Population: 2001

by Ken McDonnell, EBRI

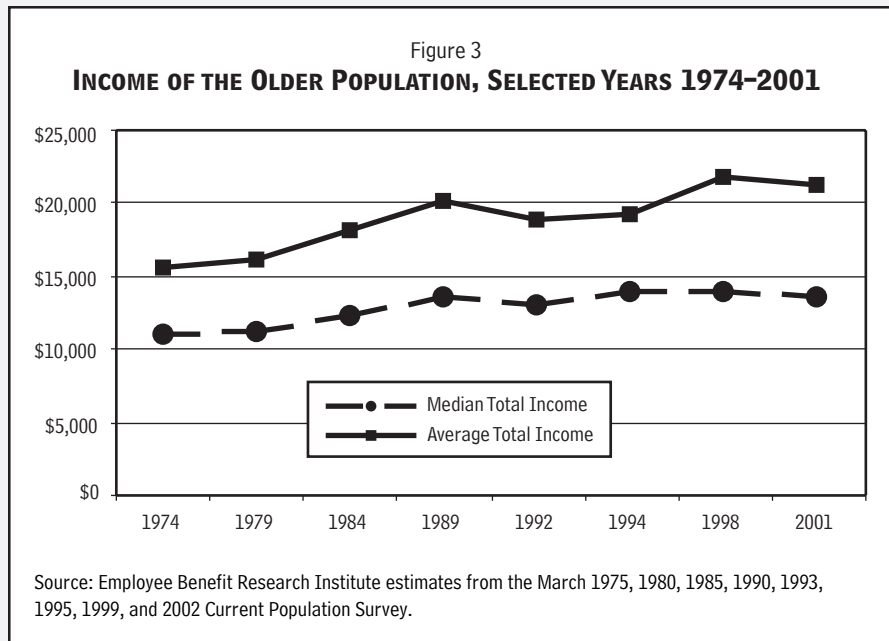
The U.S. retirement income system—including employment-based retirement plans, Social Security, individual saving, and post-retirement employment—can in part be assessed by examining the income of the current elderly population (age 65 and older). This article reviews the latest available data on the older population's income (from the U.S. Census Bureau's March 2002 Current Population Survey) and how it has changed over time, as well as how the elderly's reliance on these sources varies across income levels.

Income Levels

The median income level¹ of the elderly population increased from \$10,949 (in constant 2001 dollars) in 1974 to \$13,589 (in 2001 dollars) in 1989 (Figure 3). It dropped to \$12,875 (in 2001 dollars) in 1992, rebounding to \$13,886 in 1998. By 2001 the median income of the elderly had declined to \$13,561. The average income of the elderly followed a similar pattern over this period.

Income Sources

In 2001, Social Security (Old-Age Survivors and Disability Insurance or OASDI) was the largest source of income for those currently age 65 and older, accounting for 42.0 per-



cent of their income on average (Figure 4). Pension and retirement plan income was 19.5 percent, income from assets 17.0 percent, and earnings 19.4 percent.

Social Security—The fraction of the elderly’s income coming from Social Security fell during the decade of 1979–1989 (from 42.7 percent to 38.6 percent), increased to 44.4 percent in 1994, and then began to decline, falling to 40.1 percent in 1999. In 2001, Social Security increased to 42.0 percent of the elderly’s income (Figure 5).

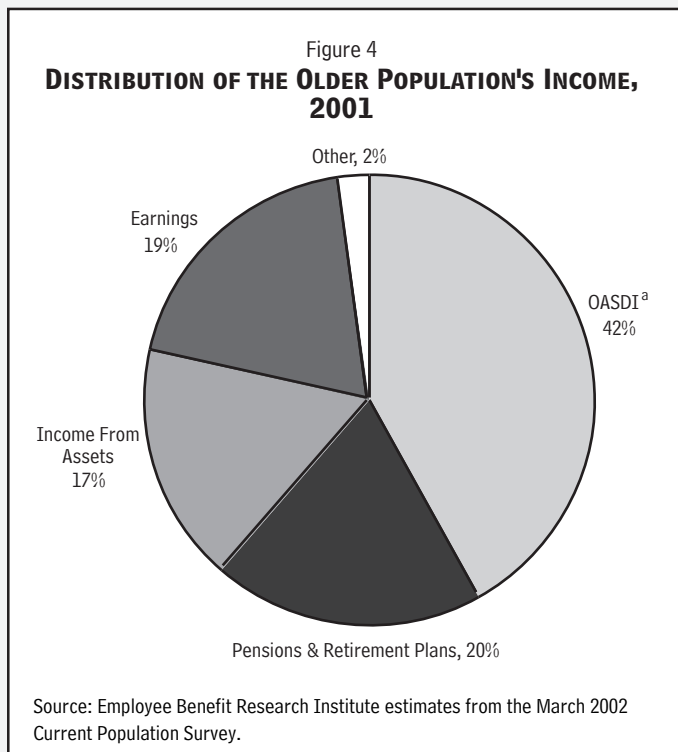
Pension and Annuities—The fraction of the elderly’s income provided by pensions and annuities increased from 14.0 percent in 1974 to 20.0 percent in 1994 (Figure 5). Income provided by pensions and annuities fell from

19.9 percent in 1998 to 19.5 percent in 2001.

Assets—Income from assets fell from a peak of 28.2 percent in 1984 to 17.6 percent in 1994. From 1994 to 2000, the pattern of income from assets followed a bell curve, going

from 17.6 percent in 1994 to a peak of 20.4 percent in 1997 and 1998, and then declining again to 17.0 percent in 2001 (Figure 5).

Earnings—The fraction of the elderly’s income coming from earnings fell from 21.3 percent in 1974 to 13.3 percent in 1984. From 1997 to 2000, earnings accounted for a growing share of the elderly’s income, increasing from 16.6 percent to 19.7 percent. In 2001, earnings as a share of the elderly’s income declined slightly, to 19.4 percent (Figure 5).



Income Composition

Income composition varies across income groups. In 2001, the lowest income quintile received 90.7 percent of its income from Social Security, and the highest income quintile

Figure 5
DISTRIBUTION OF THE OLDER POPULATION'S INCOME BY INCOME SOURCE, SELECTED YEARS 1974–2001

	Lowest (= or < \$7,007 in 2001)	2 (\$7,008 to \$11,219 in 2001)	3 (\$11,220 to \$16,641 in 2001)	4 (\$16,642 to \$28,084 in 2001)	Highest (= or > \$28,085 in 2001)	
(\$ millions)						
OASDI ^a						
1974	\$42.0	\$88.6	\$77.7	\$74.6	\$55.4	\$19.9
1979	42.7	79.1	71.9	78.7	51.9	20.5
1984	40.5	80.2	79.7	68.1	48.0	19.6
1989	38.6	81.5	78.8	65.2	45.8	17.9
1994	44.4	84.8	82.4	74.5	52.4	23.2
1995	42.9	87.6	85.1	74.9	51.6	21.2
1996	42.8	87.1	85.7	74.8	52.2	21.4
1997	41.4	87.9	88.9	75.5	50.5	19.9
1998	40.3	89.8	86.7	73.8	49.4	19.1
1999	40.1	91.7	86.2	72.9	48.9	18.1
2000	41.3	90.7	88.0	74.1	49.6	19.9
2001	42.0	90.7	86.8	76.5	50.3	20.2
Pensions and Annuities ^{b, c}						
1974 ^b	14.0	1.5	2.3	4.6	14.4	18.8
1979	14.8	1.1	5.6	2.1	15.7	20.6
1984	15.0	1.2	2.8	8.2	18.5	18.9
1989	17.5	2.0	3.8	10.6	21.1	21.6
1994	20.0	1.8	3.5	9.0	21.6	26.7
1995	19.0	2.2	3.5	8.2	21.8	24.5
1996	19.6	2.2	3.4	9.1	22.2	25.1
1997	19.6	1.7	3.9	9.2	22.7	24.5
1998	19.9	2.4	3.4	9.8	22.8	24.7
1999	19.4	2.3	4.2	10.3	24.7	23.2
2000	19.7	1.6	3.3	10.8	25.5	22.3
2001	19.5	1.9	3.6	9.6	23.7	24.1
Income From Assets						
1974	18.2	3.8	4.4	7.4	14.1	25.7
1979	21.5	7.1	13.1	9.1	19.5	28.4
1984	28.2	7.4	8.5	16.5	23.5	38.6
1989	25.2	6.7	9.1	16.1	22.4	33.2
1994	17.6	6.3	7.2	10.6	14.8	23.3
1995	18.2	6.2	8.1	11.6	16.1	23.3
1996	18.1	6.2	7.2	10.5	15.0	23.7
1997	20.4	5.4	7.1	10.2	15.4	27.8
1998	20.4	3.6	7.2	10.0	16.0	27.4
1999	19.8	2.9	6.4	11.1	14.7	27.1
2000	17.8	4.6	5.8	9.0	13.4	24.3
2001	17.0	3.9	6.4	8.9	13.4	22.8
Earnings						
1974	21.3	-3.2	2.8	4.8	11.4	33.8
1979	17.3	0.3	3.9	1.6	9.9	28.8
1984	13.3	0.2	1.5	3.7	8.2	21.3
1989	15.8	0.2	1.7	5.0	8.6	25.3
1994	14.9	-0.6	1.2	3.7	8.5	24.0
1995	17.6	1.7	1.6	3.5	8.2	28.6
1996	17.4	1.5	2.0	3.8	8.5	27.6
1997	16.6	1.9	1.4	3.7	8.9	25.9
1998	17.4	1.2	1.6	4.6	9.1	26.8
1999	18.7	0.4	1.8	4.2	9.6	29.5
2000	19.7	0.5	1.8	4.4	9.2	31.3
2001	19.4	1.2	1.9	3.7	10.3	30.5

(continued)

received 20.2 percent of its income from Social Security (Figure 5). The other three main sources of the elderly's income (pensions and annuities, income from assets, and earnings) all increased in importance for the higher-income quintiles. In 2001, the lowest-income quintile received 1.9 percent of its income from pensions and annuities, 3.9 percent from assets, and 1.2 percent from earnings. By comparison, the highest-income quintile received 24.1 percent from pensions and annuities, 22.8 percent from income from assets, and 30.5 percent from earnings.

Marital Status—Nonmarried persons receive a larger share of their income from Social Security than married persons (49.3 percent vs. 37.4 percent), while nonmarried persons receive a noticeably smaller share from earnings (14.1 percent vs. 22.7 percent) (Figure 6). In addition, married persons receive a slightly larger share of their income from pensions and annuities.

Gender—Elderly women derived a greater share of their income from Social Security and assets than men in 2001. Social Security accounted for 50.5 percent of elderly women's income, compared with 35.7 percent of elderly men's income (Figure 7). Income from assets accounted for 19.9 percent of elderly women's income, compared with 14.9 percent of elderly men's. By comparison, elderly men derived a larger share of their income from employment-

Figure 5 (continued)

	Lowest (= or < \$7,007 in 2001)	2 (\$7,008 to \$11,219 in 2001)	3 (\$11,220 to \$16,641 in 2001)	4 (\$16,642 to \$28,084 in 2001)	Highest (= or > \$28,085 in 2001)
Total					
	(\$ millions)				
	Other ^{b, d}				
1974 ^b	4.5	9.3	12.8	8.6	4.7
1979	3.6	12.3	5.5	8.5	3.0
1984	2.9	11.0	7.5	3.6	1.8
1989	2.9	9.7	6.6	3.1	2.1
1994	3.2	7.6	5.8	2.2	0.3
1995	2.2	2.3	1.6	1.8	2.2
1996	2.1	3.0	1.7	1.8	2.1
1997	2.0	3.0	1.7	1.4	2.6
1998	2.0	3.0	1.1	1.7	2.7
1999	2.0	2.7	1.3	1.5	2.1
2000	2.0	2.6	1.0	1.7	2.3
2001	2.1	2.3	1.3	1.3	2.2

Source: Employee Benefit Research Institute tabulations of the March 1970, March 1975, March 1980, March 1985, March 1990, March 1995–2002 Current Population Surveys.

Note: See Appendix B for a technical explanation of this source.

^aOld-Age, Survivors and Disability Insurance; includes railroad retirement.

^bIn 1974, the percentage of income of the older population represented by pension income may be overstated and the percentage of income represented by "other" income sources may be understated. Total private pension income of individuals age 55 and over in 1974 was \$10.451 billion; however, because some sources of income in the "other" category are included in private pension income, the actual pension total is overstated by between 2 percent and 12 percent, or is between \$9.221 billion and \$10.243 billion. Similarly, public pension income in 1974 was \$13.603 billion but is potentially overstated by between 7 percent and 18 percent, falling in the range of \$11.226 billion and \$12.638 billion. Income from "other" income sources is understated by the amount pension income is overstated.

^cIncludes pension, annuity, survivors, and disability benefits.

^dIncludes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual's household, and other sources of income.

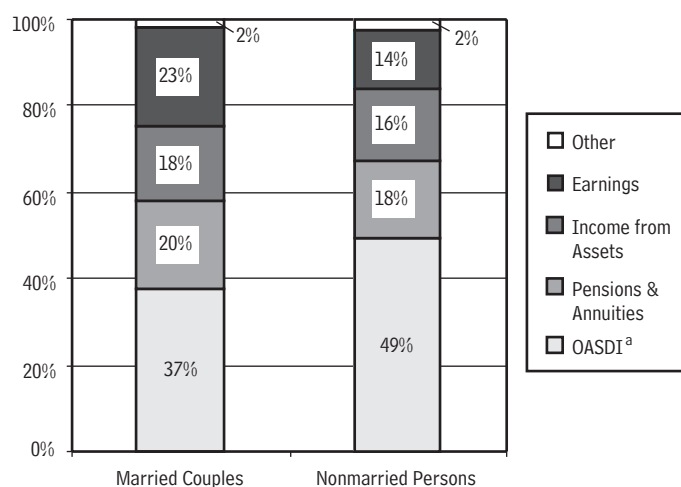
based sources, including pensions and annuities and earnings, than elderly women. In 2001, pensions and annuities accounted for 23.0 percent of elderly men's income, compared with 14.8 percent of elderly women's. Income from earnings accounted for 24.2 percent of the elderly men's income, compared with 12.9 percent of elderly women's.

Considerations

These data may understate the role that employment-based retirement plans play in the income of the older population. One shortcoming of the Current Population Survey is that income generated from lump-sum distributions paid out by pension plans on job change may not be accurately accounted for in the data. Individuals who received a lump-sum distribution may not report it as pension income, but rather as income from assets. However, these pension distributions, if preserved, generate income in retirement. Therefore, the reported figure for income from pensions and annuities may be understated. For the same reason, income from assets may be overstated.

For individuals in the highest-income group, earnings represent a significant portion of retirement income. Since 1974, earnings have accounted for more than one-fifth of their income. This indicates that, for the elderly in the highest income brackets, turning 65 does not mean that they have left the labor force.

Figure 6
DISTRIBUTION OF THE OLDER POPULATION'S INCOME, PERSONS AGE 65 AND OVER, BY MARITAL STATUS, 2001



Source: Employee Benefit Research Institute estimates from the March 2002 Current Population Survey.

Figure 7
**DISTRIBUTION OF THE OLDER POPULATION'S INCOME
 BY GENDER, 2001**

	Males		Females	
	Income	Percentage	Income	Percentage
Total Income	\$28,999	100.0%	\$15,557	100.0%
Social Security	10,345	35.7	7,856	50.5
Pensions and Annuities	6,660	23.0	2,305	14.8
Income from Assets	4,319	14.9	3,091	19.9
Earnings	7,009	24.2	2,012	12.9
Other ^a	666	2.3	293	1.9

Source: Employee Benefit Research Institute tabulations of data from the March 2002 Current Population Survey.

^a Includes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual's household, and other sources of income.

Furthermore, many individuals will say they are retired, meaning they retired from career employment, but have not left the labor force.

While the percentage of workers participating in a pension plan increased from 1995 to 2001, the data showing the percentage of income coming from pensions and annuities may not increase. There are two reasons for this. First, as more and more workers participate in defined contribution retirement plans, the concern mentioned above that defined contribution assets may be considered as income from assets rather than pension income will be exacerbated.² Second, since defined contribution plans allow preretirement lump-sum distributions, the preservation of retirement plan assets will

become increasingly important for future generations of the elderly. If these assets are not preserved, more individuals will likely need to work in old age to make up the retirement plan assets they cashed out before retirement.

Endnotes

¹ The midpoint, 50 percent above and 50 percent below.

² For a discussion of the growing importance for future retirees of assets from retirement plans not payable as annuities, see Jack VanDerhei and Craig Copeland, "The Changing Face of Private Retirement Plans," *EBRI Issue Brief* no. 232 (Employee Benefit Research Institute, April 2001).

Washington Update

by Jim Jaffe, EBRI

Tax Cut Developments

At this writing, the Republican leadership of the House of Representatives planned to give members a vote on tax cuts that total half-a-trillion dollars by Memorial Day, and prepared a package that abandoned President Bush's proposal to end the taxation of some dividends. A truncated and temporary version of this initiative remains in the tax bill to be considered by the Senate Finance Committee (thereby making it a continuing option). The idea has generated only modest enthusiasm in the Senate, as lawmakers there find a greater corporate appetite for liberalized tax depreciation schedules.

Although the tax-writing House Ways and Means Committee began with a proposal by Chairman Bill Thomas (R-CA) that would cut the maximum tax on all capital gains and dividend payments to 15 percent, critics quickly noted that his plan skewed toward upper income taxpayers even more than the initial White House plan. More potentially problematic is the committee's attempt to cram many tax-cut proposals within a restrictive dollar limit, leading to temporary tax reductions that would die within a few years after they become effective.

Thomas' Senate counterpart, Finance Committee Chair Charles Grassley (R-IA), came up with a "boomerang" dividend tax cut that would gradually reduce such taxes until they were eliminated entirely during 2005. But under Grassley's bill (reflecting deficit pressures), the

following year dividend tax rates would revert to today's rates.

There was also a possibility that Ways and Means would include some pension proposals contained in the latest reform plan from Reps. Rob Portman (R-OH) and Ben Cardin (D-MD). In addition to raising contribution limits, their bill would create a new benchmark interest rate for pension plans based on corporate bond payments. This would replace the 30-year Treasury rate, which was used until recently (see story below).

Pension Reform Action Delayed

Because of their focus on tax cutting legislation, the Ways and Means Committee decided to delay a planned May debate on pension reform legislation (H.R. 1000), which has already been approved by the House Financial Services Committee. An echo of the post-Enron reform bill passed by the House last year, this bill would allow employers greater opportunities to offer financial planning counsel to their workers. Ways and Means staff described the delay as merely a logistical issue, but the Senate failed to act on similar legislation during the last Congress, and it does not seem to be a top priority this year.

Administration Lacks Long-Bond Replacement Proposal

The Treasury has yet to decide what to recommend as a replacement for the 30-year Treasury note for use in determining what interest rate should be assumed by pension plans. Instead, it wants Congress to

continue for another two years with a temporary solution that seems to leave no one happy. That counsel came from Treasury Undersecretary Peter Fisher in testimony before a House Ways and Means subcommittee.

At the same session, Pension Benefit Guaranty Corporation Executive Director Steven Kandarian criticized a corporate bond index Congress is considering as a substitute. He worries it would allow funding at an inappropriately low level. Kandarian also reported that the red ink continues to flow at PBGC and that the agency's deficit had ballooned to \$5.4 billion.

Supreme Court to Consider Benefit Age Discrimination Complaint

The Supreme Court next year will consider a complaint by a group of unhappy middle-aged General Dynamics workers who say they were unfairly denied retiree health benefits because they were younger than 50 on the cut-off date set by the employer. They see it as an age discrimination issue. The initial ruling by the U.S. District Court for Northern Ohio agreed with the firm that current federal age bias laws don't protect younger workers who are disadvantaged. But a subsequent district court hearing bought the workers' argument that the legislation protected all workers older than 40. The Supreme Court will have to resolve the opposite interpretations taken by the lower courts.

Broader Health Coverage May Become Campaign Issue

Democratic presidential contender Dick Gephardt is trying to make

expansion of health insurance coverage a central issue in the next campaign. He recommends reversing all of the tax cuts enacted since President Bush's election and using the money to expand health insurance coverage to an added 30 million Americans. A key part of his plan would be much more generous government subsidies to employers, which would be required to offer insurance to their workers. His competitors found the plan overly ambitious.

McDonough Takes Accounting Oversight Post

William J. McDonough, who's spent nearly a decade running the New York Federal Reserve bank, got a substantial raise and a new job as head of the Public Company Accounting Oversight Board at the Securities and Exchange Commission, the panel created as part of post-Enron reform legislation. During his time at the Fed, McDonough was often rumored to be a possible successor to Alan Greenspan as Federal Reserve chairman. But that job isn't expected to be available anytime soon since President Bush has said he'd like to keep Greenspan in the chair for another term.

At the accounting board, McDonough selected Douglas Carmichael as chief auditor of the Accounting Oversight Board. Carmichael, a professor and director of the Center for Financial Integrity at the City University of New York's Baruch College, has been a critic of some accounting firm practices.

EBRI in Focus

EBRI Education on the Road

EBRI President and CEO Dallas Salisbury had three major presentations in June:

- A keynote address to the 14th BlueCross BlueShield Association Federal Health Plan Conference in New Orleans (June 3).
- A keynote address to the UCS conference on Health and Welfare Plan Management for Midsize Employers in Chicago (June 4)
- A panel presentation with MetLife June 24 on the topic of “The Virtues of Annuitization vs. Annihilation for Retirement Income.”

Other recent educational briefings include a two-hour presentation on “The Role of Private Pensions in Economic Security,” made to the Social Security Advisory Board April 30 by Jack VanDerhei, Temple University and research director of the EBRI Fellows Program.

On June 26, Paul Fronstin, EBRI senior research associate, participated as a presenter in a two-hour Web-based briefing on retiree health, in collaboration with the Medical Business Exchange. The briefing focused on the February *EBRI Issue Brief* on calculating personal retiree health expenses. Other presenters included Michael Thompson, principal,

PricewaterhouseCoopers, and Linda and Kenneth Cool, co-executive directors, Mellon College Retirement Project.

Save For Your Future Regional Meetings

Don Blandin, president of the EBRI-ERF program the American Savings Education Council (ASEC), and other ASEC staff participated in several regional presentations around the nation in May and June as part of the national Save For Your Future (SFYF) campaign with the Social Security Administration.

SFYF is a national, regional, and local initiative designed to educate Americans on the need to plan and save for their future, using the personal Social Security Statement they receive from the SSA each year as the touchstone for annual financial planning and review.

SFYF had its national kick-off May 1 in Washington, DC, and is being followed by up to 12 regional SFYF events around the country, including Pittsburgh; San Francisco; Portland, OR, as well as Portland, ME; New York; Philadelphia; Atlanta; Kansas City; Denver; and Dallas. Local SSA field offices will emphasize the Save For Your Future campaign initiative and distribute SFYF campaign materials during the course of their ongoing and regular public information activities (i.e., preretirement seminars, fairs, exhibits, speeches, etc.).

The campaign has three main

objectives:

- To make Americans aware of the need for savings and financial planning.
- To make Americans aware of the tools available to help them save and plan.
- To urge Americans to use their Social Security Statement as a starting point to begin their financial planning.

Participation of the Social Security Administration in the Save For Your Future campaign does not constitute its endorsement, authorization, or approval of any services or products of any partner.

For additional information, contact ASEC President Don Blandin at blandin@asec.org

New Publications & Internet Resources

[Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications published by GPO, call (202) 512-1808. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809.]

Employee Benefits

International Foundation of Employee Benefit Plans. Employee Benefit Issues: The Multiemployer Perspective. IFEBP members, \$40; non-members, \$50 + S&H. International Foundation of Employee Benefit Plans, Publications Department, P.O. Box 69, Brookfield, WI 53008-0069, (888) 33-IFEBP, fax: (414) 786-8670, e-mail: books@ifebp.org.

Health Care

Alliance for Health Reform. Covering Health Issues: A Sourcebook for Journalists, 2003. Free online at www.allhealth.org.

Integrated Benefits Institute. On the Brink of Change: How CFOs View Investments in Health and Productivity. For further information, contact William Molmen, Integrated Benefits Institute, (415) 222-7280.

Leichter, Howard M., and Jeffrey Tryens. Achieving Better Health Outcomes: The Oregon Benchmark Experience. Free. Milbank Memorial Fund, 645 Madison Ave., 15th Floor, New York, NY 10022, (212) 355-8400.

National Association of Psychiatric Health Systems. Trends in Behavioral Healthcare Systems: A Benchmarking Report: 2002 Annual Survey Report. NAPHS members, \$300; nonmembers, \$400. National Association of Psychiatric Health

Systems, 325 Seventh St., NW, Suite 625, Washington, DC 20004-2802, (202) 393-6700, ext. 15.

Pew Hispanic Center and Kaiser Family Foundation. 2002 National Survey of Latinos. Free. Henry J. Kaiser Family Foundation, 2400 Sand Hill Rd., Menlo Park, CA 94025, (800) 656-4533, www.kff.org.
Smedley, Brian D., Adrienne Stith, and Alan R. Nelson. Unequal Treatment: Confronting Racial and Ethnic Disparities in Health Care. \$44.95. National Academy Press, 2101 Constitution Ave., NW, Box 285, Washington, DC 20055, (888) 624-8373 or (202) 334-3313, fax: (202) 334-2451.

Zogby International. Survey of Excellus Policy Holders. [Health Insurance] Single copy free. Excellus Inc., 165 Court St., Rochester, NY 14647, Attn: Geoff Taylor, 585-231-6888.

Retirement Plans

Hewitt Associates. Survey Findings: Plan Sponsor Priorities 2002. Free. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, was.hewitt.com/hewitt.

Work

Parkinson, Deborah. Voices of Experience: Mature Workers in the Future Workforce. Conference Board Associates, \$45; full price, \$180. The Conference Board, 845 Third Ave., New York, NY 10022, (212) 339-0345.

Watson Wyatt Worldwide. WorkUSA 2002: Weathering the Storm: A Study of Employee Attitudes and Opinions. \$20. Watson Wyatt Worldwide, 1717 H St., NW, Suite 800, Washington, DC 20006, (202) 715-7000.

Work and Family

Masi, Dale A., and Melissa Back Tamburo. Motivation for the Use of an On-Line EAP and Work/Life Product. For further information, contact Emily Boone, Baltimore School of Social Work, University of Maryland, 1000 Hilltop Circle, Baltimore, MD 21250, eboone@ssw.umaryland.edu.

Internet Documents

The 2003 Aging Vulnerability Index
www.csis.org/gai/aging_index.pdf

CFO's Guide to 401(k) Providers
www.cfo.com/charts/1,5520,B|12|486|584,00.html
Changes in Health Care Coverage 2000-2001
www.kff.org/content/2003/4089/4089.pdf

The Declining Role of Social Security
www.bc.edu/centers/crr/facts/jtf_6.pdf

Employers' Benefits from Workers' Health Insurance
www.milbank.org/quarterly/8101feat.html

Pension Insurance Data Book 2002
www.pbgc.gov/publications/databook/databook02.pdf

Retirement Incentives and Couples' Retirement Decisions
www.bc.edu/centers/crr/papers/wp_2003-04.pdf

Study of the Administrative Costs and Actuarial Values of Small Health Plans
www.sba.gov/advo/research/rs224tot.pdf

Total Retirement Income at Large Companies: The Real Deal
was.hewitt.com/hewitt/resource/rptspubs/subrptspubs/total_retirement.pdf

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EBRI Notes (ISSN 1085-4452) is published monthly at \$300 per year or is included as part of a membership subscription by the Employee Benefit Research Institute, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Periodicals postage rate paid in Washington, DC. POSTMASTER: Send address changes to: *EBRI Notes*, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Copyright 2003 by Employee Benefit Research Institute. All rights reserved, Vol. 24, no. 6.

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What we do EBRI's work advances knowledge and understanding of employee benefits and their importance to the nation's economy among policymakers, the news media, and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. **EBRI's Education and Research Fund (EBRI-ERF)** performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants. **The American Savings Education Council (ASEC)** and the **Consumer Health Education Council (CHEC)** are programs of EBRI-ERF. They are coalitions of private- and public-sector institutions with the goals of public education on saving, retirement planning, health insurance, and health quality.

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