



Controlling Costs and Improving Quality for Retirees: Can It Improve the Health System Overall?

EBRI-ERF Policy Forum #56

The Barbara Jordan Conference Center
Henry J. Kaiser Family Foundation
1330 G Street NW, between 13th and 14th Streets
Washington, DC 20005
(202) 347-5270

Thursday, December 2, 2004
9:00 am – 2:00 pm

Agenda

This policy forum will be an opportunity to discuss solutions to the cost/quality problem for retirees, and whether proposed solutions could enhance quality and efficiency within the overall health care financing and delivery system as well.

The Medicare program covers about 40 million people, or 14 percent of the U.S. population, and comprises 18 percent of national health spending (Medicare and Medicaid combined accounts for 33 percent of spending). Driven by rising health benefit costs, spending on public- and private- sector programs will claim a sharply increasing share of GDP, and according to the Congressional Budget Office, will probably become financially unsustainable. Under intermediate spending assumptions, Medicare and Medicaid could account for 8.4 percent of GDP by 2030 and 11.5 percent by 2050, up from 3.9 percent in 2003. The Centers for Medicare & Medicaid Services projects national health expenditures as a percentage of GDP will increase from 14.9 percent in 2002 to 18.4 percent by 2013. The cost of health care for retirees is becoming an important policy issue. Employers have been and are continuing to cut back on the availability of and subsidies for health insurance for retirees to supplement Medicare. As a result, retirees can expect to increasingly shoulder the burden of their own health costs in the future.

But, despite a growing budget, increased Medicare spending does not seem to improve health care quality. A growing body of data suggests the program inefficiently delivers care. Spending varies among regions and higher spending does not result in more effective care or better health outcomes.

The first session of the policy forum will provide an overview of the issues related to providing health care for retirees. We will discuss cost drivers and the inefficiency of the Medicare program.

Session I:

- **Dallas Salisbury, Employee Benefit Research Institute**
 - Welcome and overview

- **Paul Ginsburg, Center for Studying Health System Change**
 - Presentation on recent cost trends

- **Paul Fronstin, Employee Benefit Research Institute**
 - Presentation on the outlook for Medicare financing, the cost drivers, and geographic differences in payment and costs

The second panel will focus on possible solutions to address cost drivers and improve quality. This panel will address how solutions can apply to both the Medicare program and the overall system.

Session II:

- **Robert Crane, Kaiser Permanente Institute for Health Policy**
 - How information technology can be used to improve costs and quality - This presentation will describe the clinical information technology opportunity in the context of the "Quality Chasm" that persists in American health care. Following a high level summary of the evidence of clinical IT benefits that has been documented in published literature, the business case for clinical IT systems investment will be discussed in addition to describing the challenges that must be overcome.

- **Mark Gibson, Center for Evidence Based Policy**
 - In response to rapidly rising spending on pharmaceutical costs, a group of states and private organizations have banded together to obtain high quality effectiveness research to advise their drug purchasing policies. This presentation will discuss the results of the research which demonstrate that not only can states use such information to great advantage but that broader application of this approach to federal programs, private purchasing, and medical adjuncts other than drugs could hold great promise for a more functional health care market place in the U.S.

- **Bruce McPherson, The Alliance for Advancing Nonprofit Healthcare**
 - The Role of Nonprofit Health Care Organizations. This presentation will summarize research on the role and performance of nonprofit health care organizations in the U.S. It will also discuss the implications of these findings for future health care financing and delivery strategies in an era of rapidly rising costs, quality concerns and increasing numbers of uninsured and underinsured Americans.

The third panel will discuss the policy implications of the problems and possible solutions.

Session III:

Discussants:

- Jim Bentley, American Hospital Association
- Stephen Schoenbaum, The Commonwealth Fund
- Martin Sepulveda, IBM