

# **CBO's Work on Health Care and a Call for New Research**

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# Topics Covered in This Presentation

- A Brief Introduction to the Congressional Budget Office
- Health Care and the Federal Budget
- A Puzzle: The Recent Slowdown in Federal Health Care Spending
- A Call for New Research and Tools



# **A Brief Introduction to the Congressional Budget Office**

## **CBO's Role**

CBO was created by the Congressional Budget and Impoundment Control Act of 1974.

The agency was established to give the Congress a stronger role in budget matters.

CBO provides analysis of budgetary and economic issues that is objective and impartial. The agency is strictly nonpartisan and does not make policy recommendations.

CBO follows processes that are specified in statute or that it has developed in concert with the Budget Committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the Budget Committees with the matters under their jurisdiction.

# CBO's Organization

The agency's Director is appointed jointly by the Speaker of the House and the president pro tempore of the Senate and has a four-year term.

CBO has about 270 employees. They are hired solely on the basis of professional competence, without regard to political affiliation. Most have advanced degrees.

CBO's organization consists of the Office of the Director and nine divisions:

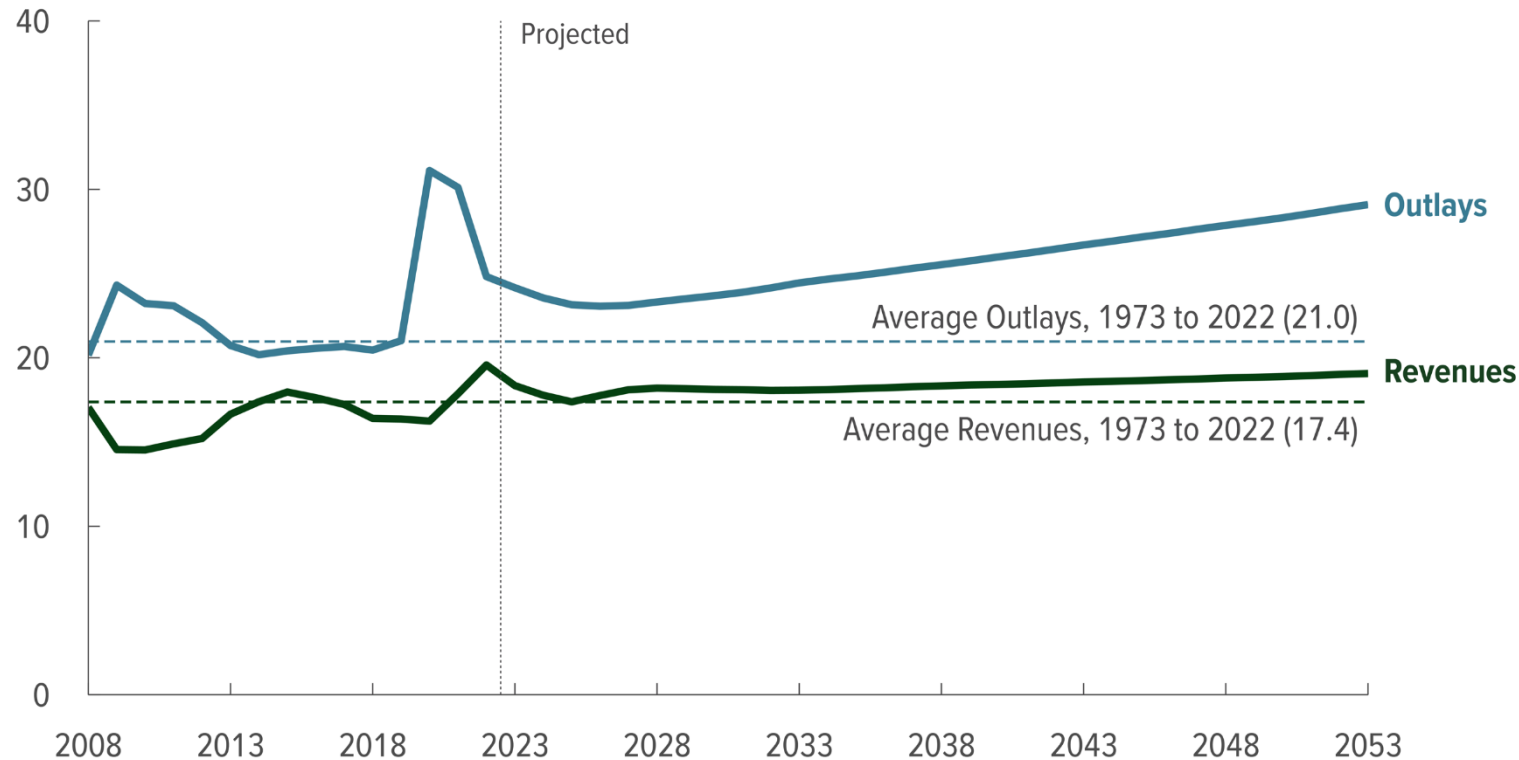
- Budget Analysis
- Financial Analysis
- Health Analysis
- Labor, Income Security, and Long-Term Analysis
- Macroeconomic Analysis
- Management, Business, and Information Services
- Microeconomic Studies
- National Security
- Tax Analysis

# **Health Care and the Federal Budget**

# The Challenging Fiscal Outlook Facing the United States

## Total Outlays and Revenues

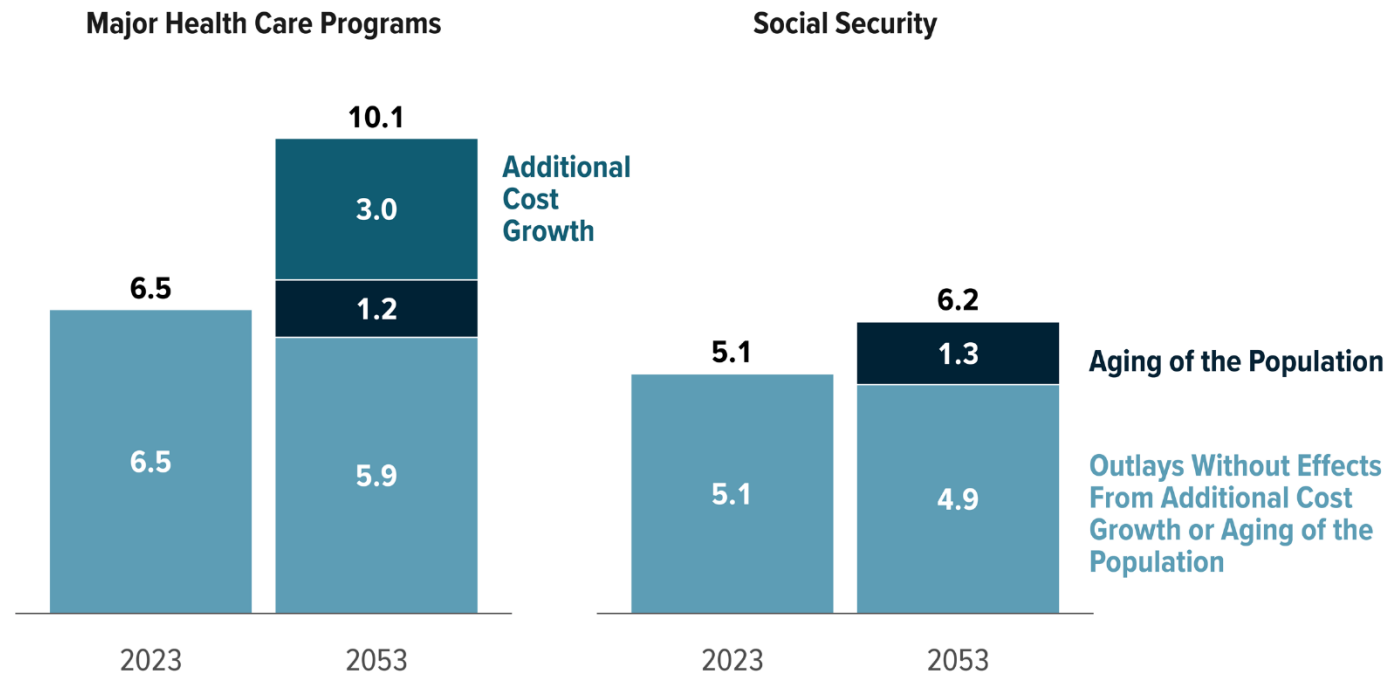
Percentage of Gross Domestic Product



In CBO's long-term projections of the federal budget from June 2023, outlays increase faster than revenues—mainly because of rising interest costs and growth in spending on the major health care programs and Social Security. The result is ever-larger budget deficits over the long term.

# Composition of Growth in Outlays for the Major Health Care Programs and Social Security, 2023 to 2053

Percentage of GDP



In CBO's June 2023 projections, growth in spending on the major health care programs is largely driven by cost growth above and beyond that accounted for by demographic changes or the growth of potential GDP per person. Spending on those programs, as well as spending on Social Security benefits, is also boosted by the aging of the population.

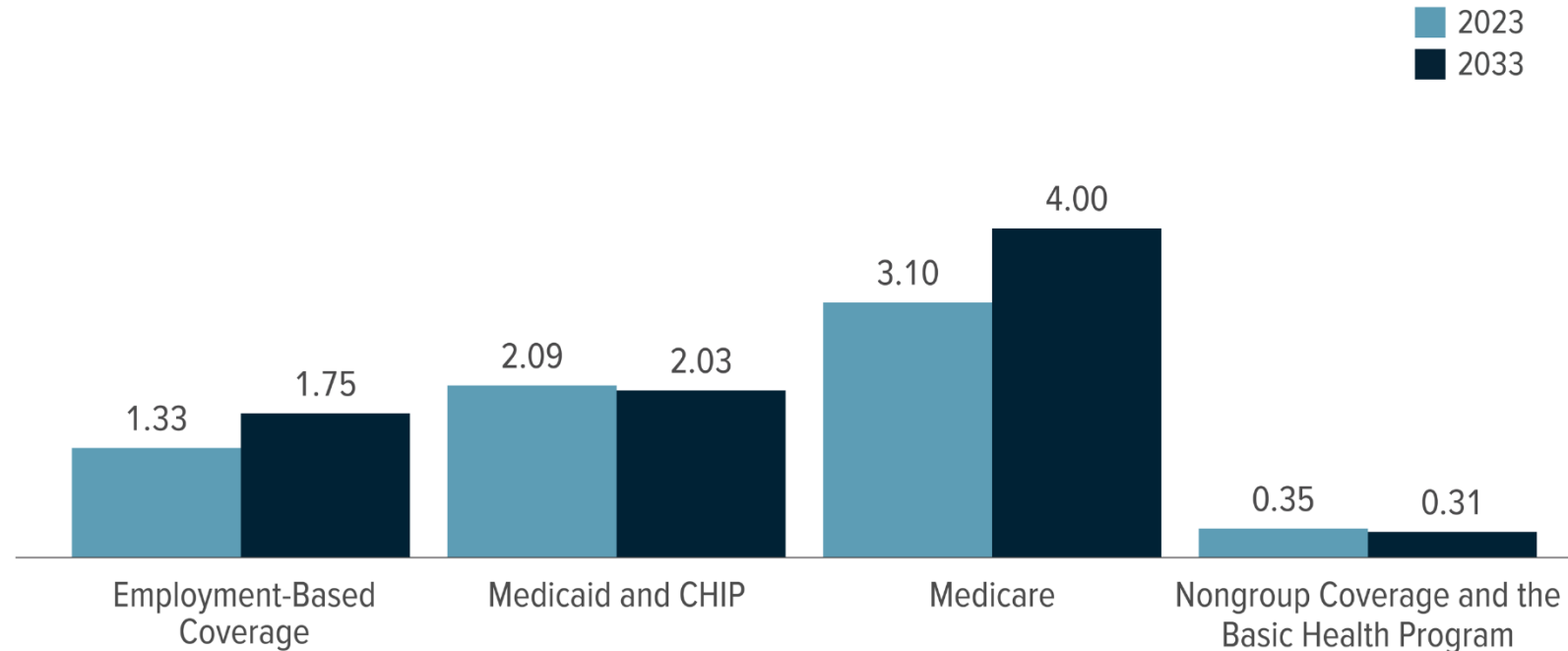
For a version of this figure with related notes, see Congressional Budget Office, *The 2023 Long-Term Budget Outlook* (June 2023), p. 19, [www.cbo.gov/publication/59014](https://www.cbo.gov/publication/59014).

GDP = gross domestic product.



# Total Federal Subsidies for Health Insurance, 2023 and 2033

Percentage of Gross Domestic Product



Total federal subsidies for employment-based coverage and for Medicare nearly double from 2023 to 2033 in CBO and JCT’s projections. Measured as a percentage of GDP, federal subsidies for employment-based coverage and for Medicare are projected to rise over the next decade, while those for Medicaid and CHIP and for nongroup coverage and the Basic Health Program are projected to decrease.

For a version of this figure with related notes, see Congressional Budget Office, *Federal Subsidies for Health Insurance: 2023 to 2033* (September 2023), p. 2, [www.cbo.gov/publication/59273](https://www.cbo.gov/publication/59273).

CHIP = Children’s Health Insurance Program; GDP = gross domestic product; JCT = staff of the Joint Committee on Taxation.

# Payment and Delivery System Reform

## Estimated Budgetary Effects of CMMI's Activities, 2021 to 2030

Billions of Dollars

	Previous Projection	Current Projection
CMMI's Outlays	10.9	8.3
Change in Spending on Benefits	<u>-88.4</u>	<u>-7.0</u>
<b>Net Increase or Decrease (-) in Outlays</b>	<b>-77.5</b>	<b>1.3</b>
Percentage of Net Spending on Medicare	-0.80	0.01

CBO has updated its assessment of the effects of CMMI on the federal budget, significantly lowering its estimate of the reduction in spending on health benefits attributable to CMMI's activities.

For a version of this table with related notes, see Congressional Budget Office, *Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation* (September 2023), p. 9, [www.cbo.gov/publication/59274](https://www.cbo.gov/publication/59274).

CMMI = The Center for Medicare & Medicaid Innovation.

# Mental Health and Substance Use Disorders

## Budgetary Effects of Options to Modify or Eliminate Medicaid's IMD Exclusion

Millions of Dollars

Total,  
2023–2033

### Permanently Extend the State Plan Option Available Under the SUPPORT Act

SUD Stays of up to 30 Days per 12-Month Period in  
Facilities With More Than 16 Beds

535

SUD Stays of up to 60 Days per 12-Month Period in  
Facilities With More Than 16 Beds

560

SUD Stays of up to 30 Days per 12-Month Period in  
Facilities With 17 to 39 Beds

155

### Eliminate the IMD Exclusion

SUD Stays

7,710

Mental Health Stays

33,480

SUD Stays and Mental Health Stays

38,405

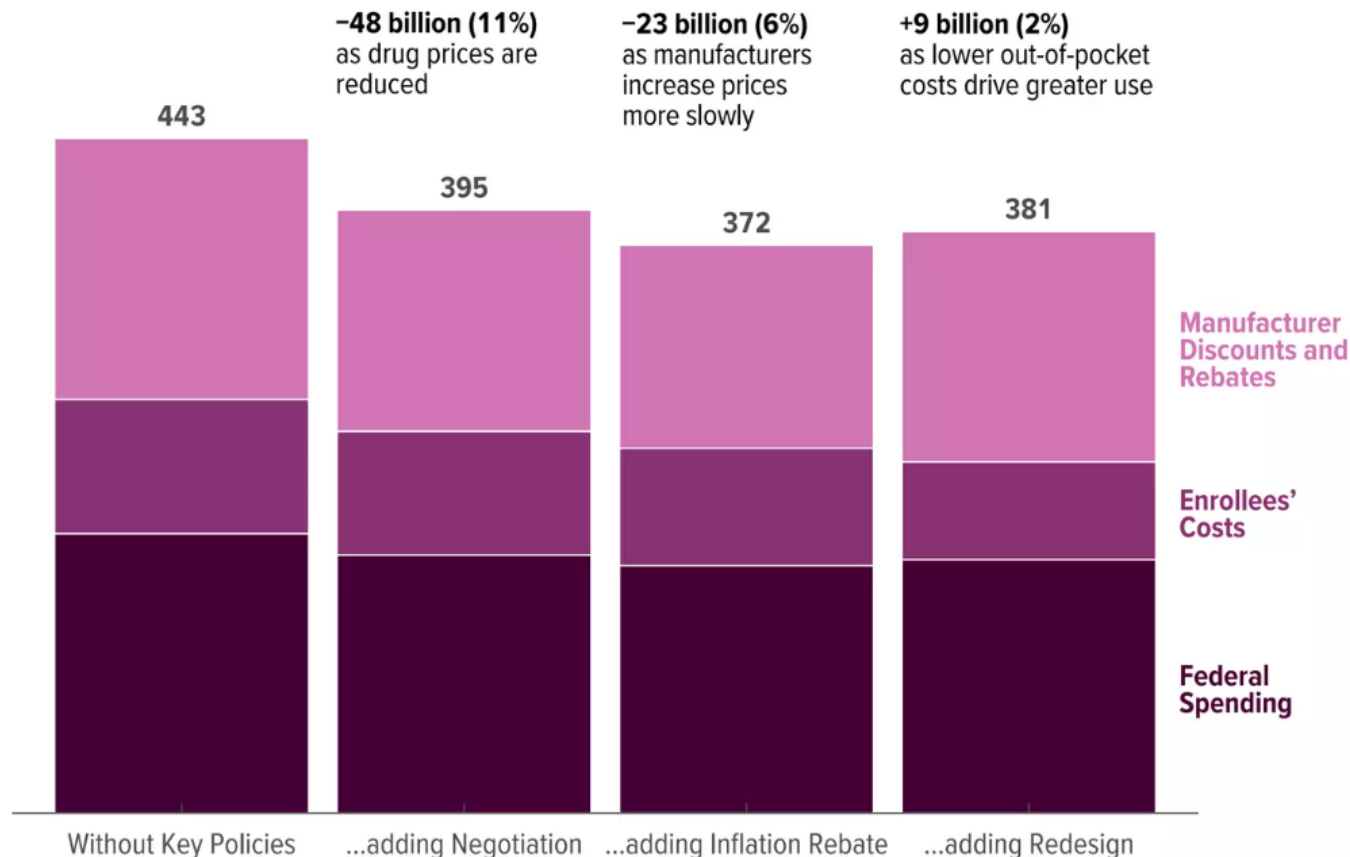
For a version of this table with related notes, see Congressional Budget Office, *Budgetary Effects of Policies to Modify or Eliminate Medicaid's Institutions for Mental Diseases Exclusion* (April 2023), p. 6, [www.cbo.gov/publication/58962](https://www.cbo.gov/publication/58962).

IMDs = institutions for mental diseases; SUD = substance use disorder; SUPPORT Act = The Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act, Public Law 115-271.

# Prescription Drugs and the Reconciliation Act of 2022

## How Each of the Key Drug Policies Contributes to an Estimated \$62 Billion Decline in Total Part D Spending in 2031

Billions of Dollars



CBO's analysis is based on:

- A negotiation model,
- A drug development model, and
- A redesign model.

# Exploring the Effects of Medicaid During Childhood on the Economy and the Budget

## Net Present Value of Changes per Affected Child Under Illustrative Policies

Amounts, in 2023 Dollars and Rounded to the Nearest Hundred

	Using Treasury Rate Discount Factors		
	Change in Initial Federal Medicaid Outlays	Change in GDP	Fiscal Effects (% of the change in initial federal Medicaid outlays)
Continuous Eligibility	1,700	14,900	3,400 (197%)
Block Grant A	-1,700	15,600	3,600 (206%)
Block Grant B	-1,700	20,100	4,600 (266%)
	Using Fair-Value Discount Factors		
	Change in Initial Federal Medicaid Outlays	Change in GDP	Fiscal Effects (% of the change in initial federal Medicaid outlays)
Continuous Eligibility	1,700	3,700	800 (49%)
Block Grant A	-1,700	3,900	900 (51%)
Block Grant B	-1,700	4,500	1,000 (60%)

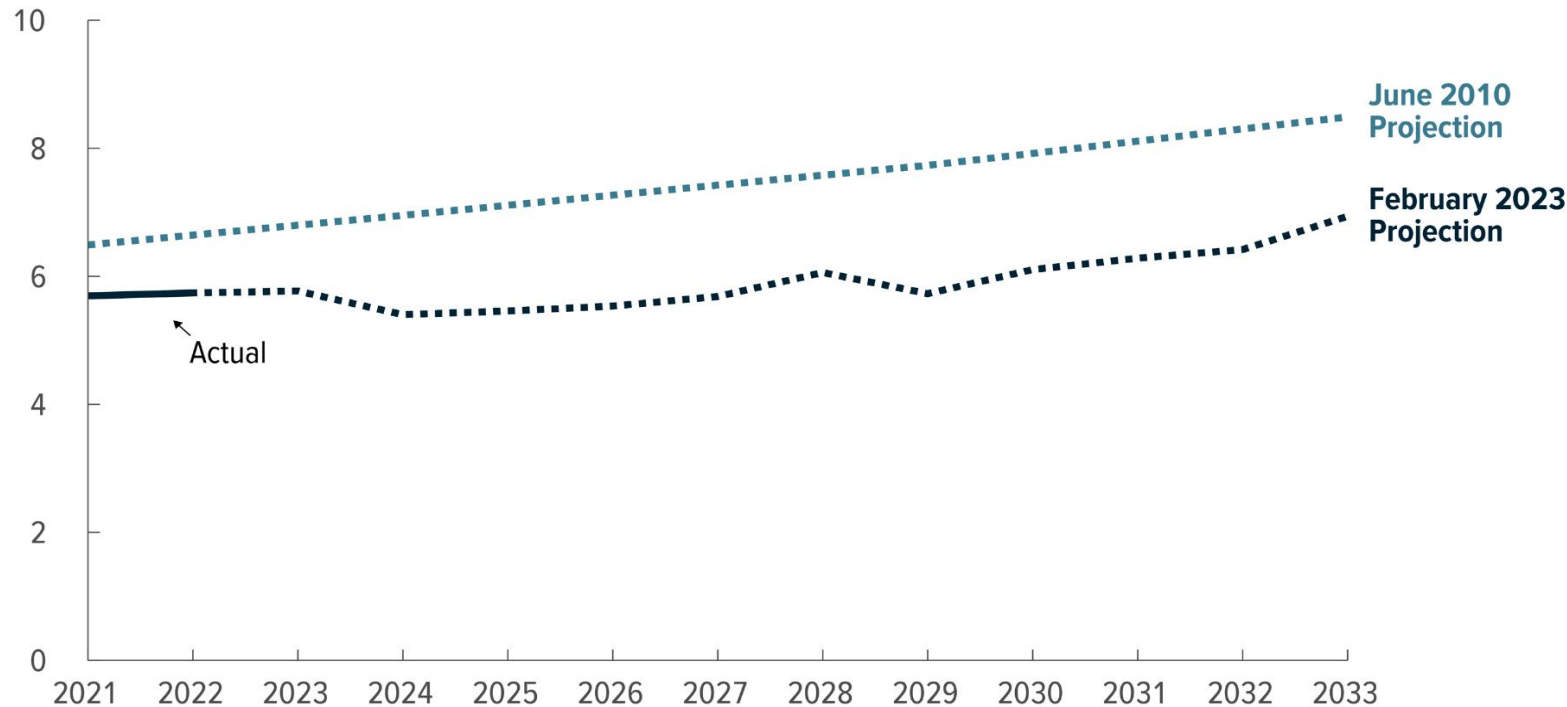
For a version of this table with related notes, see Elizabeth Ash, William Carrington, Rebecca Heller, and Grace Hwang, *Exploring the Effects of Medicaid During Childhood on the Economy and the Budget*, Working Paper 2023-07 (Congressional Budget Office, November 2023), p. 13, [www.cbo.gov/publication/59231](https://www.cbo.gov/publication/59231).

GDP = gross domestic product.

# **A Puzzle: The Recent Slowdown in Federal Health Care Spending**

# CBO's Projections of Federal Outlays for the Major Health Care Programs

Percentage of Gross Domestic Product



In its long-term projections made in 2010, CBO estimated that federal outlays for the major health care programs would increase from 6.8 percent of GDP in 2023 to 8.5 percent of GDP in 2033. In its 2023 projections, the agency expected federal spending on those programs, measured as a percentage of GDP, to grow more slowly over that 10-year period, increasing from 5.8 percent of GDP in 2023 to 6.9 percent of GDP in 2033.

For a version of this figure with related notes, see Congressional Budget Office, letter to the Honorable Sheldon Whitehouse about CBO's projections of federal health care spending (March 17, 2023), p. 12, [www.cbo.gov/publication/58997](https://www.cbo.gov/publication/58997).

# **CMMI and the MSSP Were Not Factors in the Recent Slowdown in Federal Health Care Spending**

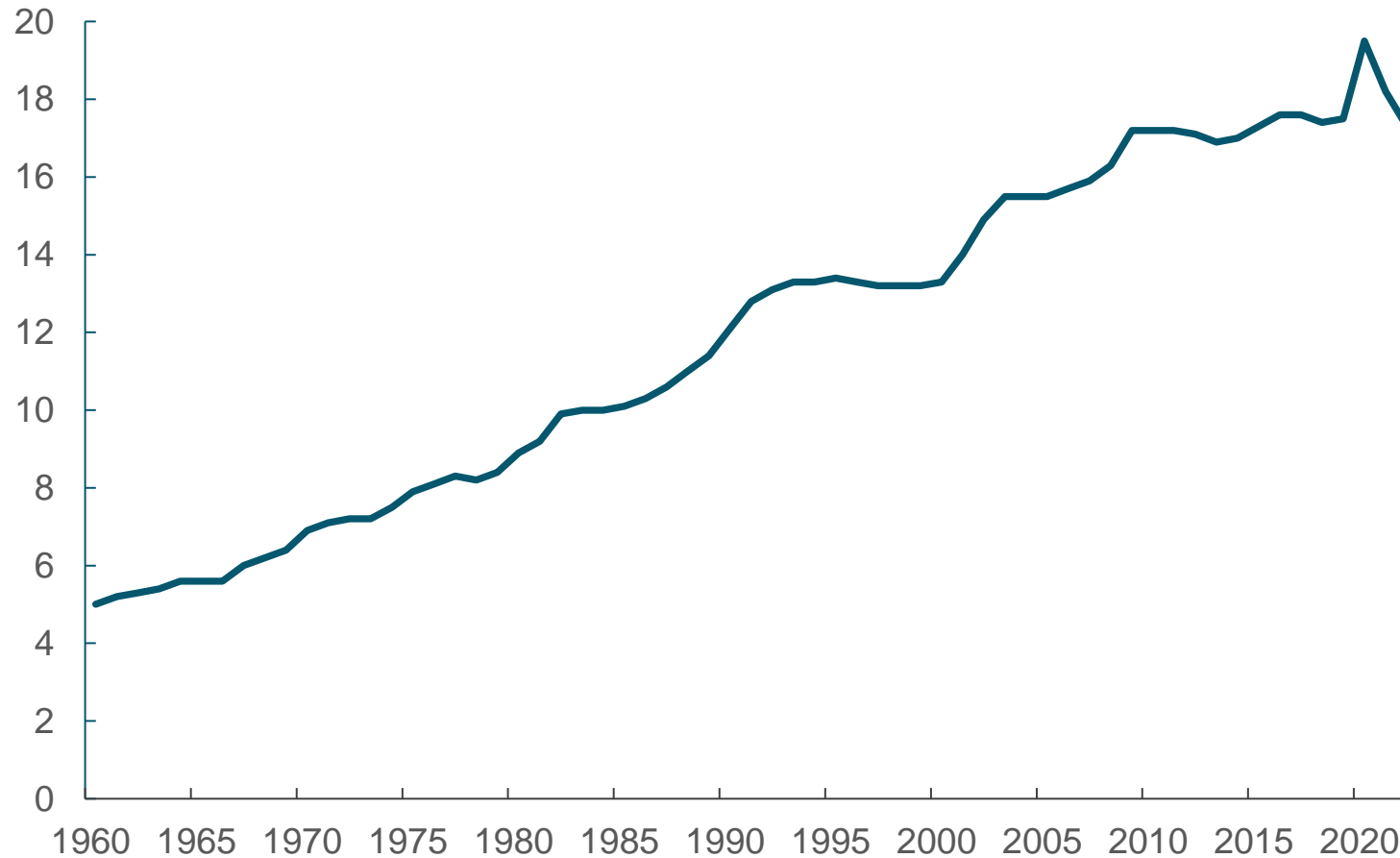
CBO estimates that the Center for Medicare & Medicaid Innovation (**CMMI**) increased net federal health spending in its first decade of operation. Some researchers have posited that the existence of CMMI may have led to broader systemwide changes that are not attributable to a specific model.

The Medicare Shared Savings Program (**MSSP**) is associated with small net budgetary savings in the early years of its operation; but more recent evidence is limited and challenging to interpret.



# The Slowdown Is Broader Than Just Federal Health Programs

National Health Expenditures as a Percentage of GDP



Measured as a percentage of GDP, health spending is now about the same as it was in 2009.

Data source: Centers for Medicare & Medicaid Services, “National Health Expenditure Data: NHE Summary, Including Share of GDP, CY 1960–2022 (ZIP)” (December 13, 2023), <https://www.cms.gov/files/zip/nhe-summary-including-share-gdp-cy-1960-2022.zip>.

GDP = gross domestic product.

# **A Call for New Research and Tools**

# Why Has Growth in Federal Health Subsidies Slowed?

CBO is tracking and assessing several possible factors:

- **Payment Policy and Supply Responses.** Did productivity adjustments in the Affordable Care Act reduce the quantity of services supplied?
- **Improved Health and a Reduced Need for Costly Care.** Is the slowdown explained by “greater use of medications to control [cardiovascular] risk factors, such as hypertension and diabetes”?<sup>a</sup>
- **Shifts in the Technology Pipeline.** Is the slowdown explained by a “shift toward the diffusion of cost-saving technologies—such as those used to treat cardiovascular disease”?<sup>a</sup>
- **A Change in the Gestalt.** Do providers feel they are being judged, from all sides, on quality and the total cost of care?
- **Other Factors.**

a. Congressional Budget Office, letter to the Honorable Sheldon Whitehouse about CBO’s projections of federal health care spending (March 17, 2023), [www.cbo.gov/publication/58997](https://www.cbo.gov/publication/58997).

# Health Over the Life Cycle

CBO is assessing the role of health behaviors and preventive measures beyond the usual 10-year budget window.

How would long-term health trajectories be affected by:

- Expanded insurance coverage of **anti-obesity medications**, at different ages;
- Expanded diagnosis and treatment of **Hepatitis C**; and
- Federal policies involving access to treatment for **opioid** misuse?

# Provider Consolidation

CBO is assessing:

- The role of federal policy.
  - Policies pushing providers out of independent practice.
  - Policies pulling providers into larger systems.
  
- The role of factors outside of federal policy.
  
- Impacts on:
  - Prices,
  - Site of care, and
  - Utilization patterns.

# What Types of Research Are Useful to CBO?

The following types of research are particularly useful:

- ‘Straight’ stories:
  - Descriptions of the world as it is,
  - Null results,
  - Mixed findings, and
  - Complete analyses, including upsides and downsides.
  
- Quantitative studies, including simple ones:
  - Descriptives,
  - Trends, and
  - Means.
  
- Replication studies
  
- Historical analogs

# Recent Publications by CBO in the Area of Health

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## Blog Posts

[“A Call for New Research in the Area of Health”](#) (July 19, 2023)

[“A Call for New Research in the Area of Obesity”](#) (October 5, 2023)

[“A Call for New Research in the Area of New Drug Development”](#) (December 20, 2023)

## Testimony

[Testimony on the Congressional Budget Office’s request for appropriations for fiscal year 2024](#) (March 15, 2023)

[Testimony on alternative payment models and the slowdown in federal health care spending](#) (October 18, 2023)

[Testimony on federal subsidies for health insurance and policies to reduce the prices paid by commercial insurers](#) (January 31, 2024)

## Letter

[Letter to the Honorable Sheldon Whitehouse about CBO’s projections of federal health care spending](#) (March 17, 2023)

## Reports

[The Opioid Crisis and Recent Federal Policy Responses](#) (September 28, 2022)

[Budgetary Effects of Policies to Modify or Eliminate Medicaid’s Institutions for Mental Diseases Exclusion](#) (April 13, 2023)

[An Evaluation of CBO’s Projections of Outlays From 1984 to 2021](#) (April 26, 2023)

[The 2023 Long-Term Budget Outlook](#) (June 28, 2023)

[Federal Subsidies for Health Insurance: 2023 to 2033](#) (September 28, 2023)

[Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation](#) (September 28, 2023)

# Recent Publications by CBO in the Area of Health (Continued)

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## Working Papers

[\*CBO's Model of Drug Price Negotiations Under the Elijah E. Cummings Lower Drug Costs Now Act\*](#) (February 4, 2021)

[\*CBO's Simulation Model of New Drug Development\*](#) (August 26, 2021)

[\*Exploring the Effects of Medicaid During Childhood on the Economy and the Budget\*](#) (November 1, 2023)

## Presentation and Slide Deck

[\*"CBO's Model of New Drug Development"\*](#) (January 13, 2022)

[\*"How CBO Estimated the Budgetary Impact of Key Prescription Drug Provisions in the 2022 Reconciliation Act"\*](#) (February 17, 2023)

## Cost Estimates

[\*Estimated Budgetary Effects of H.R. 5376, the Inflation Reduction Act of 2022\*](#) (August 3, 2022)

[\*Cost Estimate for S. 2840, the Bipartisan Primary Care and Health Workforce Act\*](#) (February 6, 2024)

## Journal Articles

[\*Health Insurance for People Younger Than Age 65: Expiration of Temporary Policies Projected to Reshuffle Coverage, 2023–33\*](#) (May 24, 2023)

[\*Potential Federal Policies to Reduce or Limit Commercial Plan Payments to Hospitals and Physicians\*](#) (September 20, 2023)

## Other

[\*10 Things to Know About CBO\*](#) (January 17, 2024)



# Non-CBO Publications

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Philip G. Joyce, *The Congressional Budget Office: Honest Numbers, Power, and Policymaking* (Georgetown University Press, 2011) <https://press.georgetown.edu/Book/The-Congressional-Budget-Office>.

Micah Hartman and others, “National Health Care Spending in 2022: Growth Similar to Prepandemic Rates,” *Health Affairs*, vol. 43, no. 1 (December 2023), pp. 6–17, <https://tinyurl.com/nzhfa47t>.