



# Congressional Budget Office

## Implications of Rising Health Care Costs

### Presentation to the Heritage Foundation

*January 13, 2012*

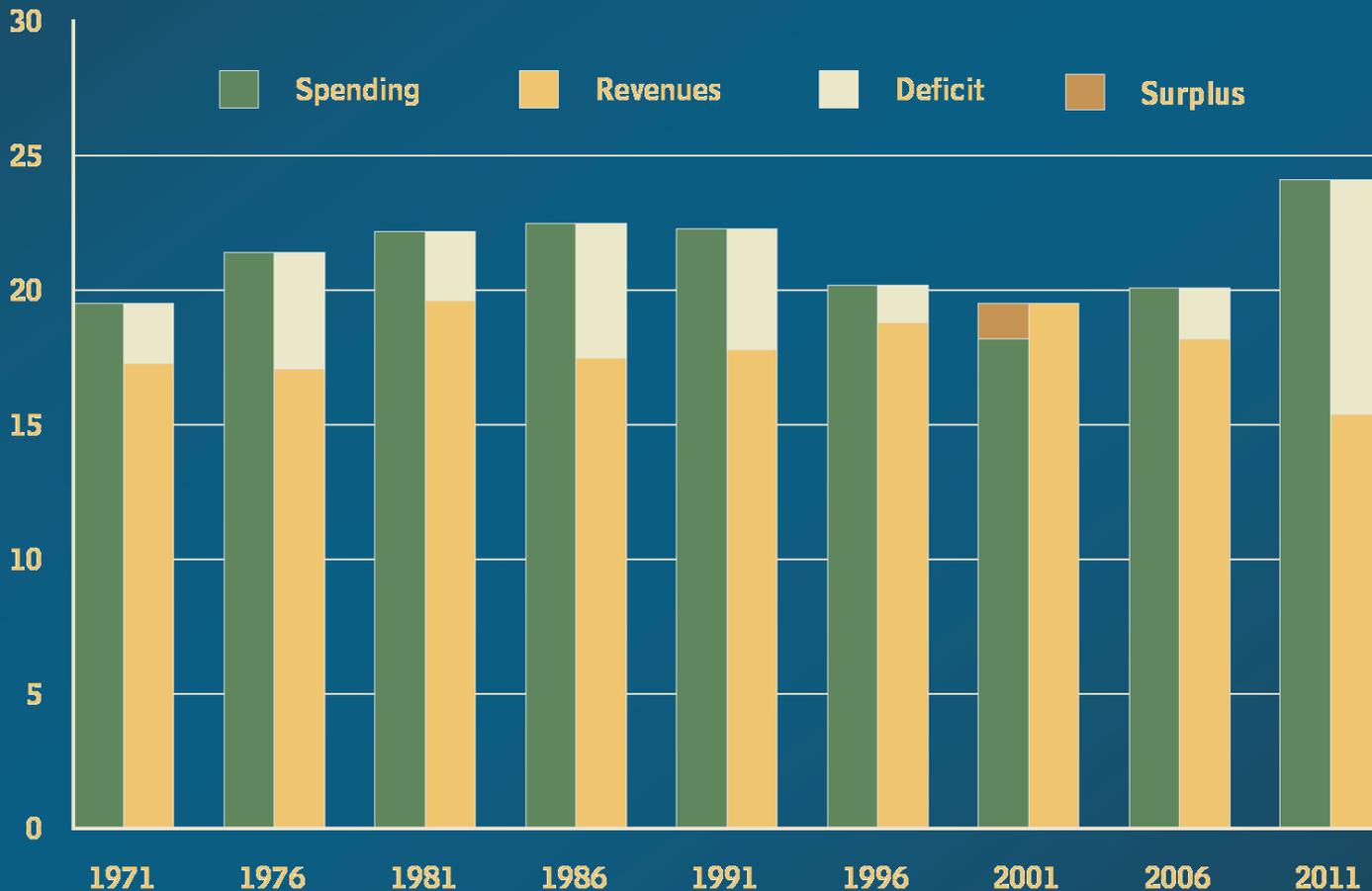
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# The Federal Budget, Selected Years, 1971–2011

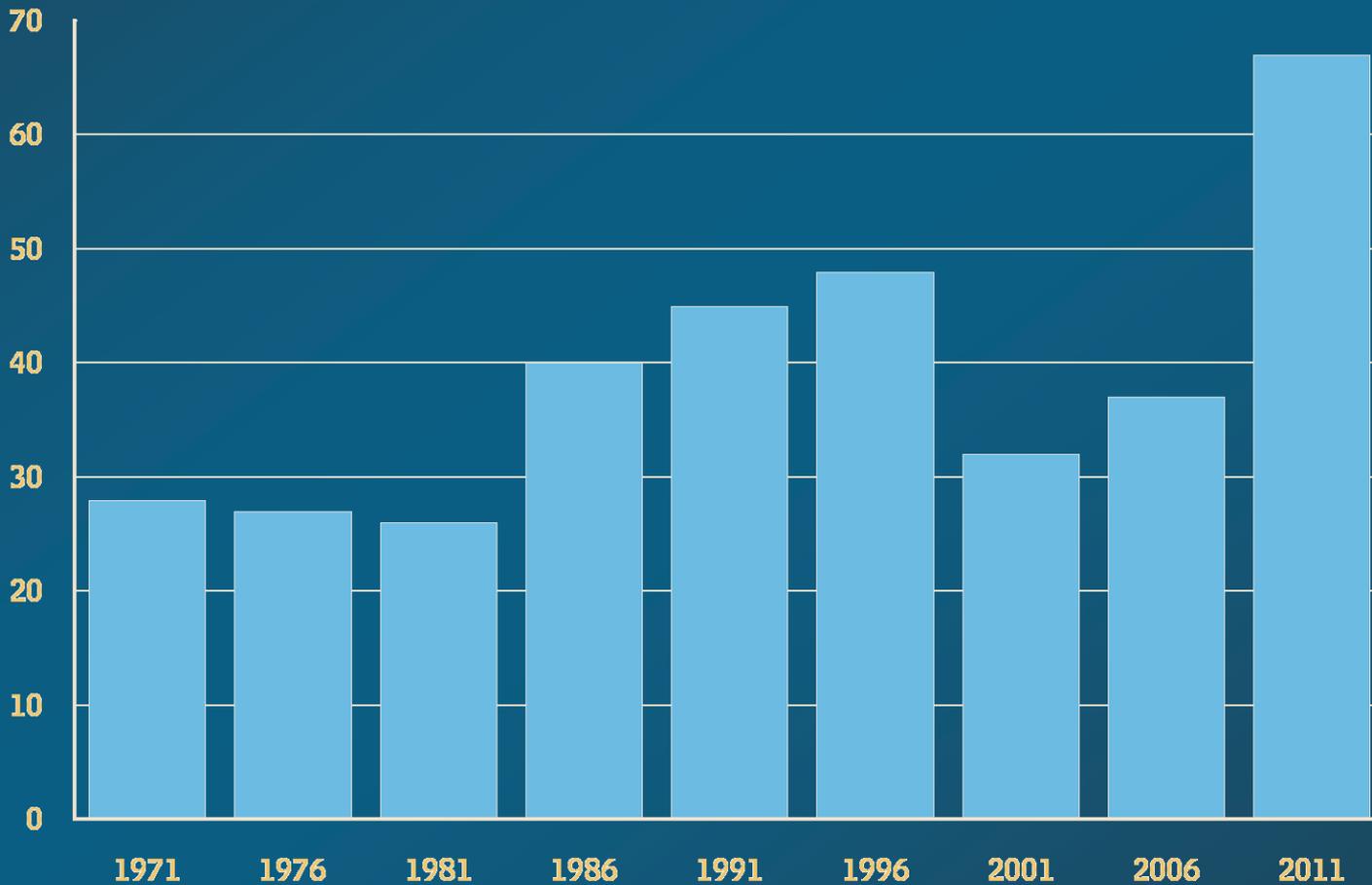
Percentage of GDP





# Federal Debt Held by the Public, Selected Years, 1971–2011

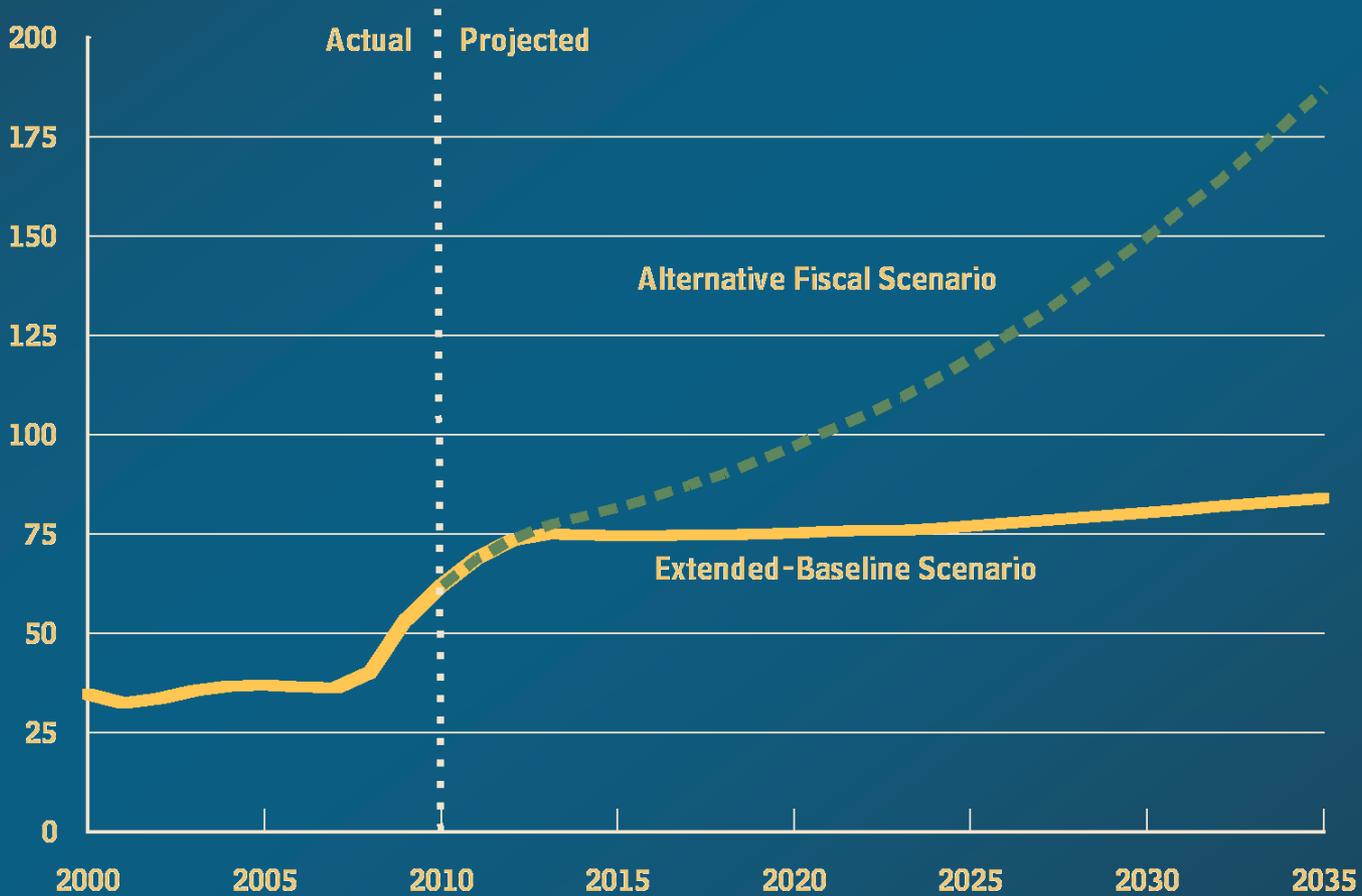
Percentage of GDP





# Federal Debt Held by the Public Under CBO's Long-Term Budget Scenarios

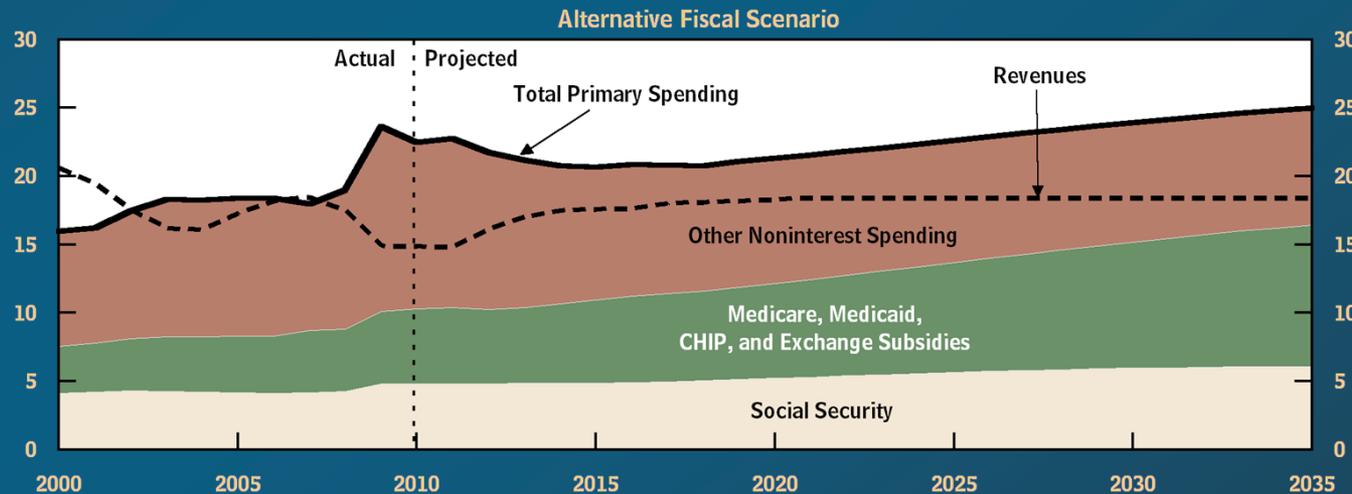
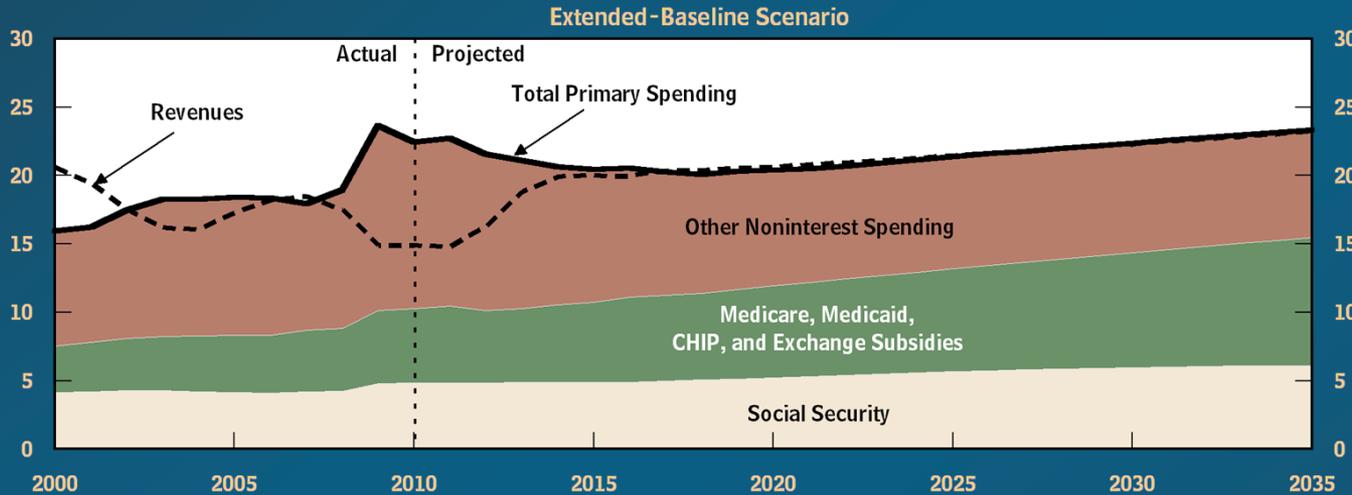
Percentage of GDP





# Primary Spending and Revenues, by Category, Under CBO's Long-Term Budget Scenarios

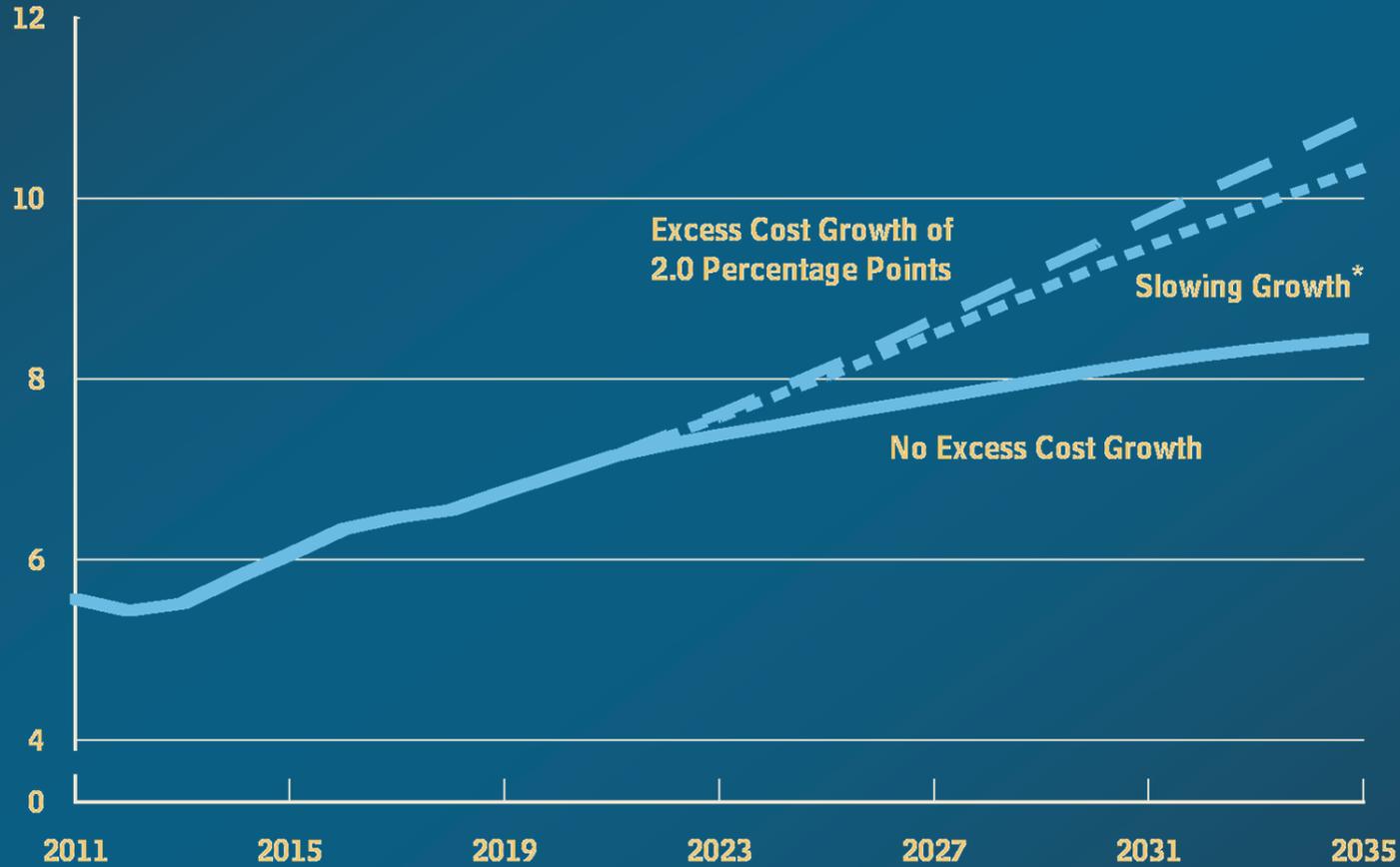
## Percentage of GDP





# Mandatory Federal Spending on Health Care Under CBO's Alternative Fiscal Scenario and Different Assumptions About Excess Cost Growth After 2021

Percentage of GDP



\* Assumes excess cost growth declines each year from 1.7 percentage points in 2022.



# Tax Expenditures for Health Care, Calendar Year 2008

Sources of Expenditure	Billions of Dollars
Exclusion of Employer-Sponsored Health Care	226
Exclusion of Medicare Benefits from Income	42
Deduction of Medical Expenses Above 7.5% of Adjusted Gross Income	11
Deduction of Health Insurance for Self-Employed People	5
Other	<u>4</u>
<b>Total</b>	<b>288</b>

Source: Estimates by the Staff of the Joint Committee on Taxation.

Note: Amounts include payroll taxes under the Federal Insurance Contribution Act.



# Medicaid Challenges and Strategies for the States

## # **Overarching Budgetary Issues**

- Rising share of general fund spending, squeezing funds for other programs
- Major source of federal funds, supporting local economies
- Rising enrollment, especially during recession

## # **Effects of Recent Legislation**

- Expiration of federal fiscal relief under the 2009 Recovery Act
- Requirements for maintenance of effort on eligibility
- Enrollment expansions and increases in federal funds after 2013

## # **Immediate Strategies for Controlling Spending**

- Reducing payments to providers
- Increasing use of taxes on providers to generate state matching funds
- Increasing cost-sharing requirements
- Reducing benefits
- Changing pharmacy policies

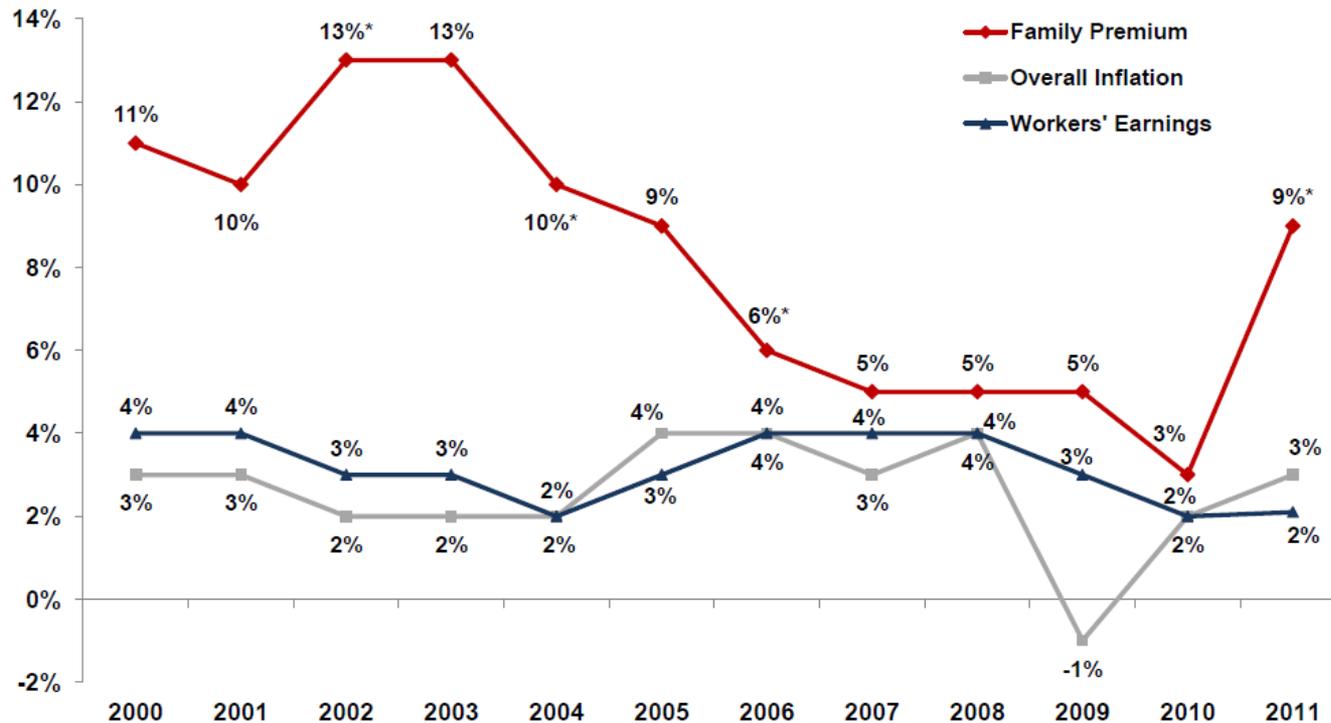
## # **Longer Term Issues**

- Coordinating care and controlling costs of the dual-eligible population
- Reductions in federal matching rates for newly eligible populations after 2016



# Results from the Kaiser Survey of Health Insurance Premiums

## Average Annual Increase in Family Health Insurance Premiums Compared to Other Indicators, 2000-2011



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2011, with data from the Bureau of Labor Statistics.



# Total Health Care Spending as a Share of GDP Under CBO's Extended Baseline Scenario

Percentage of GDP

