

# The Federal Budget and Health Care Policy

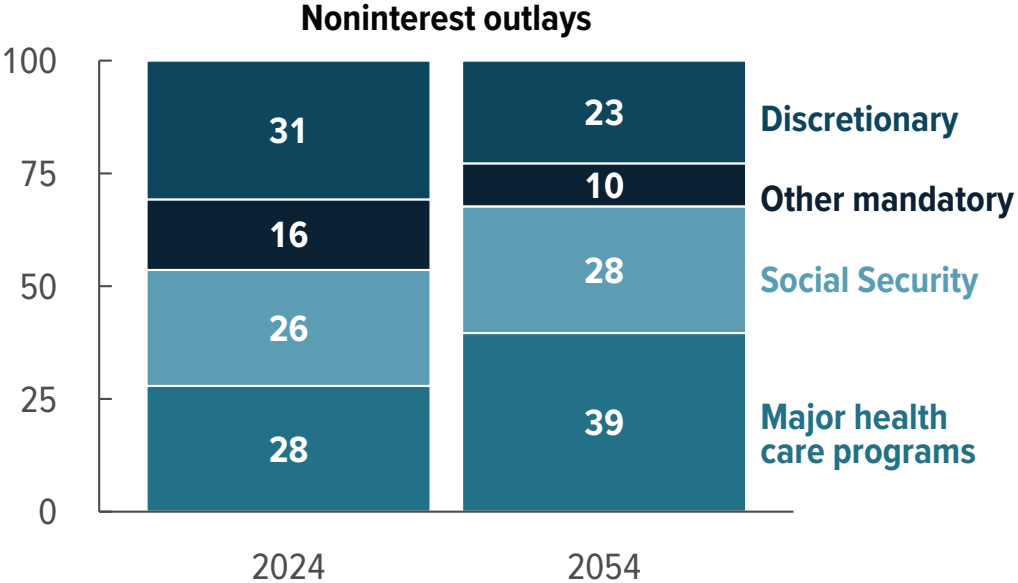
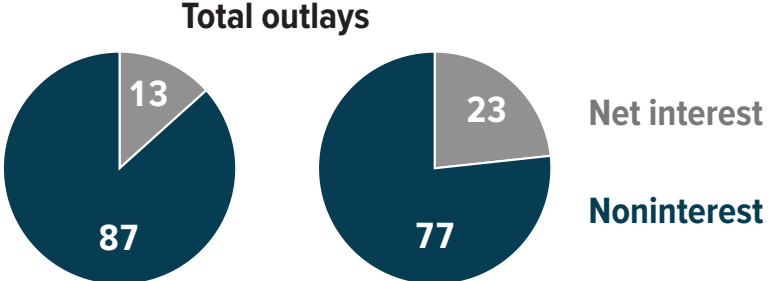
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Economic Policy Innovation Center and the Paragon Health Institute

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# Composition of Federal Outlays, 2024 and 2054

Percent

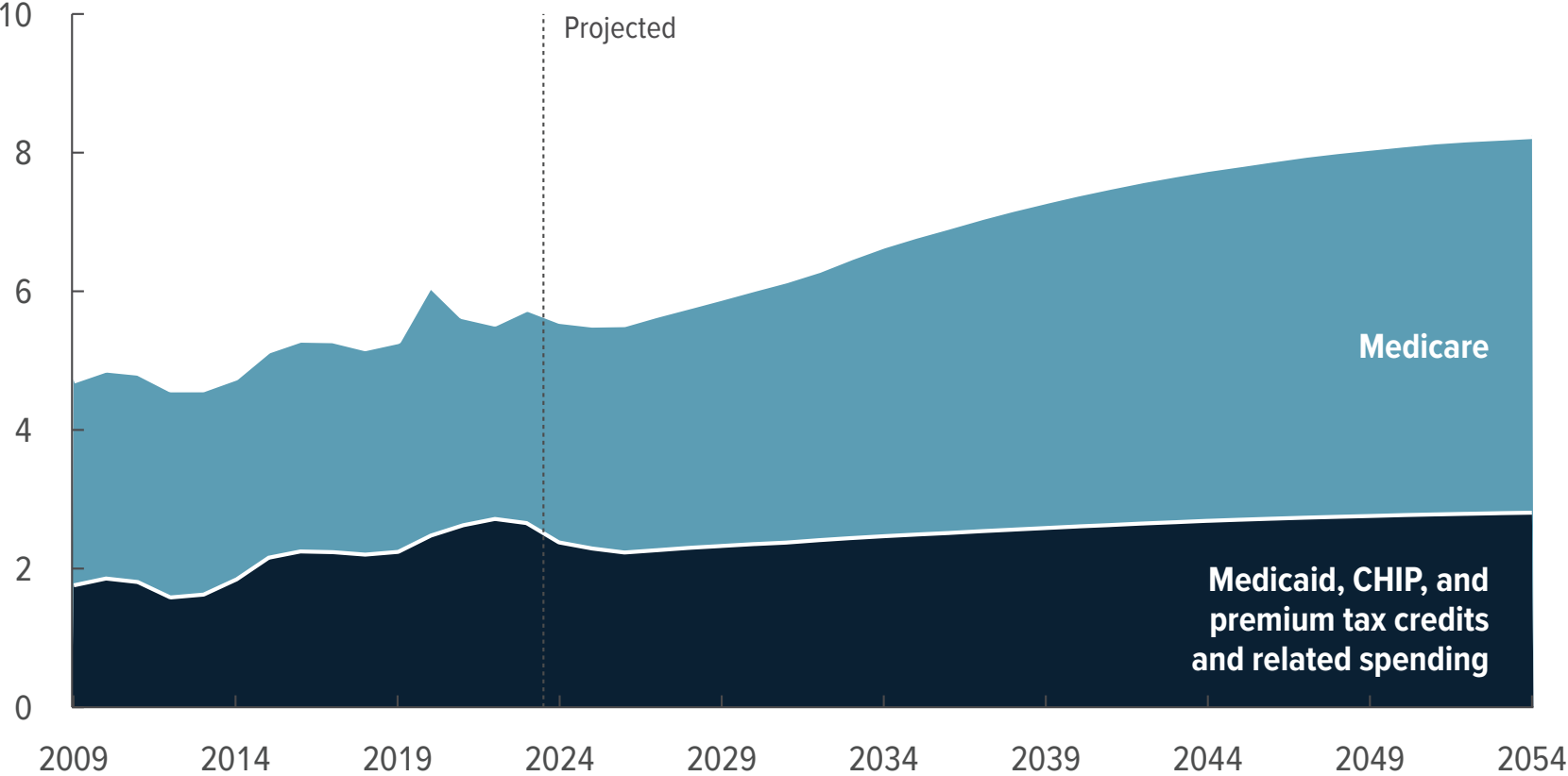


In CBO’s projections for 2054, net interest costs account for nearly a quarter of all federal outlays, and spending for the major health care programs accounts for two-fifths of noninterest outlays, both of which represent significant increases from 2024.

Source: Congressional Budget Office, *The Long-Term Budget Outlook: 2024 to 2054* (March 2024), Figure 2-3, [www.cbo.gov/publication/59711](http://www.cbo.gov/publication/59711).

# Composition of Federal Outlays for the Major Health Care Programs

Percentage of gross domestic product

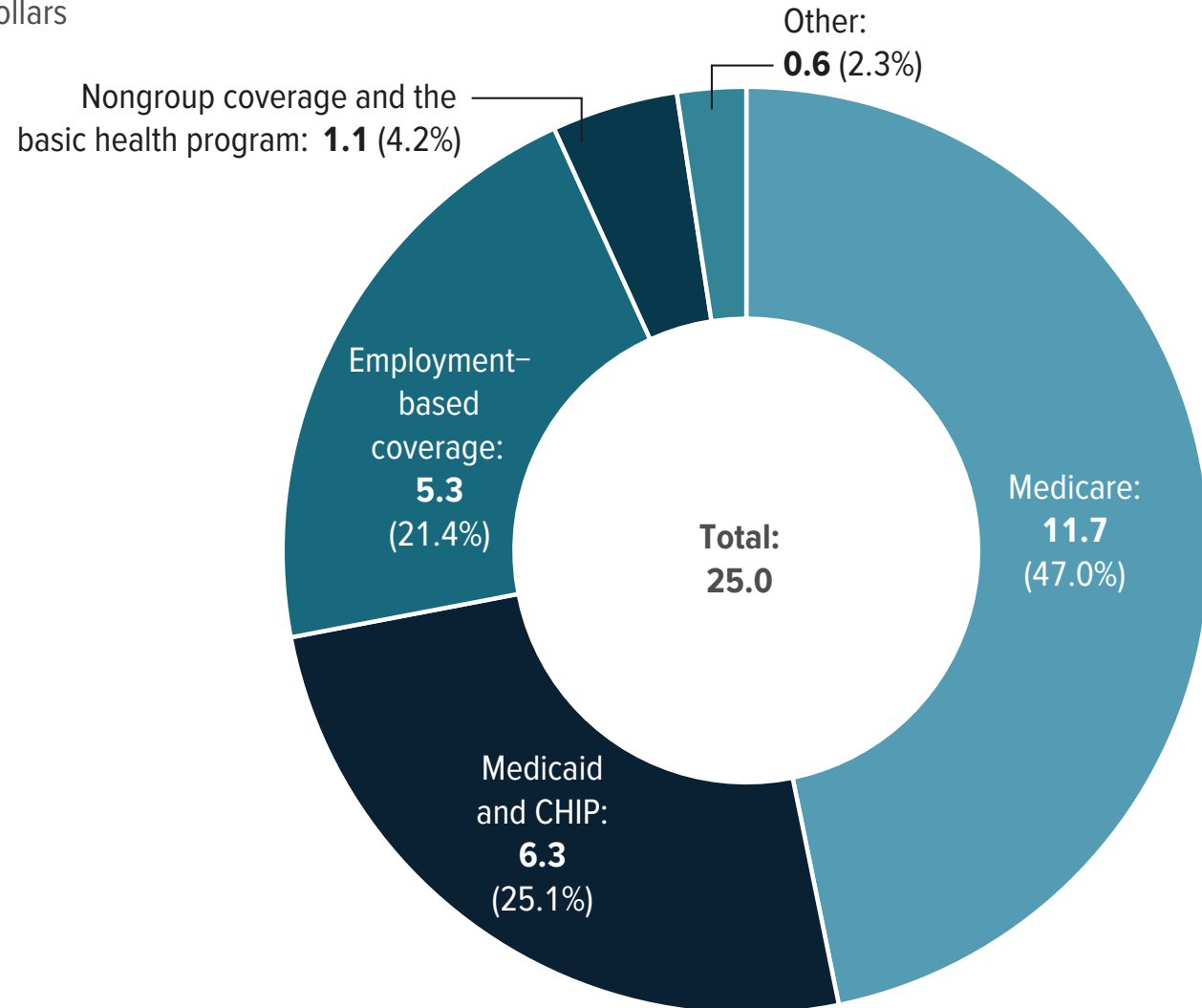


Growth in spending on Medicare is projected to account for more than two-thirds of the increase in spending on the major health care programs over the next 30 years.

Source: Congressional Budget Office, *The Long-Term Budget Outlook: 2024 to 2054* (March 2024), Figure 2-4, [www.cbo.gov/publication/59711](http://www.cbo.gov/publication/59711).

# Distribution of Total Federal Subsidies for Health Insurance Over the 2024-2033 Period

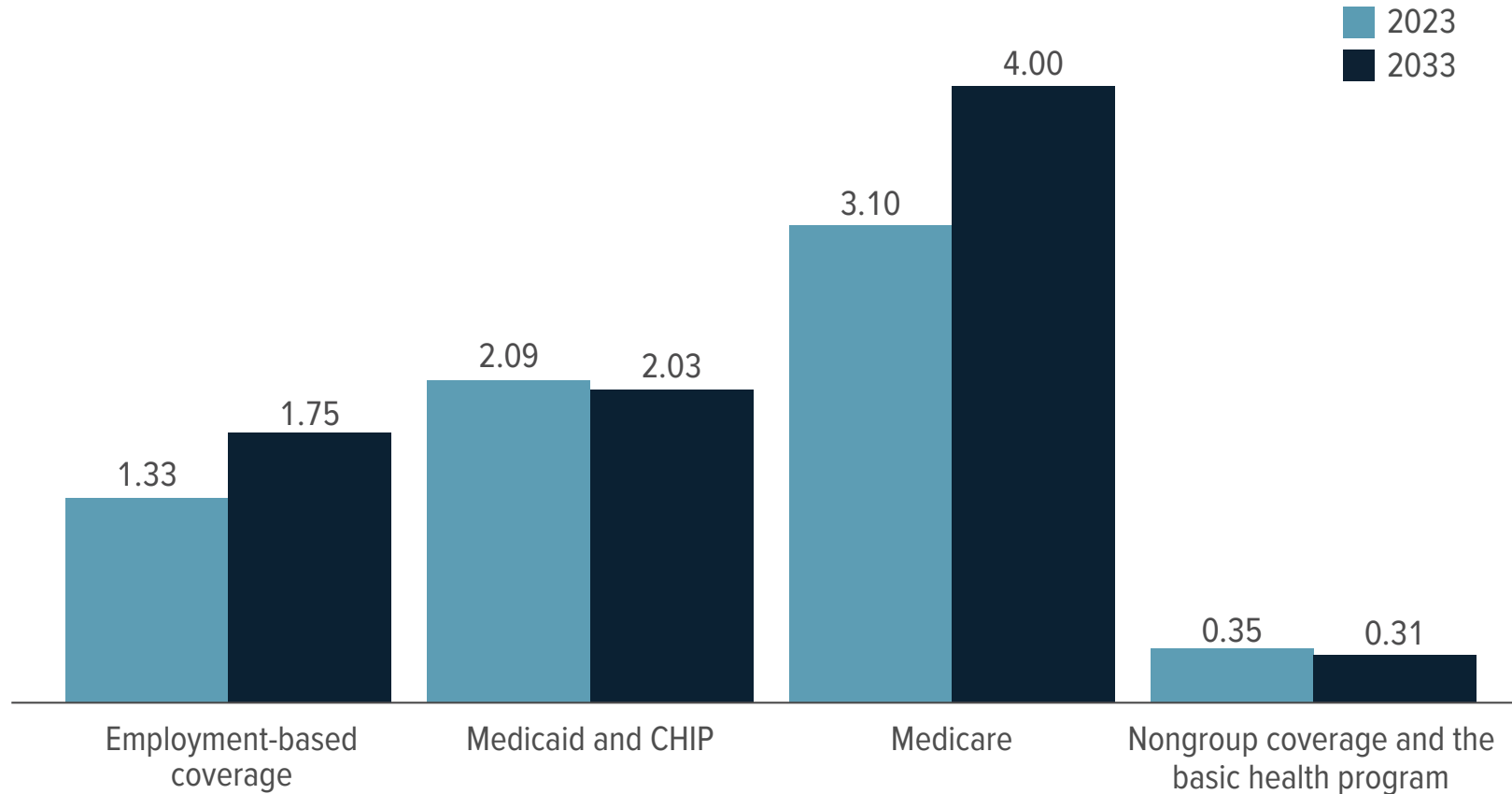
Trillions of dollars



CBO and JCT project that federal subsidies for health insurance will total \$25 trillion over the 2024–2033 period, the 10 years spanned by CBO’s spring 2023 baseline projections. Although employment-based coverage affects the most people, Medicare accounts for nearly half of total federal subsidies for health insurance over that period.

# Total Federal Subsidies For Health Insurance, 2023 and 2033

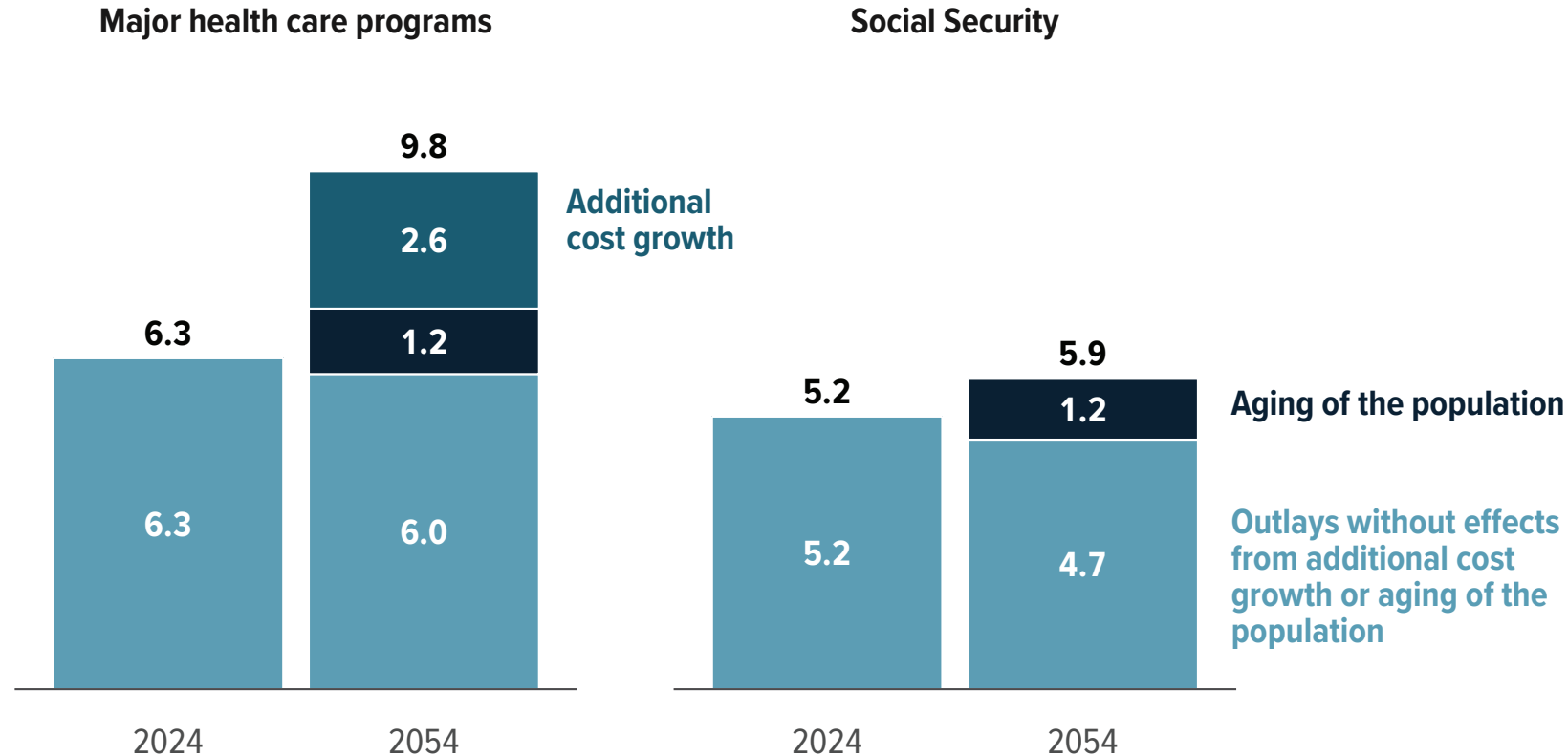
Percentage of gross domestic product



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.

# Composition of Growth in Federal Outlays for the Major Health Care Programs and Social Security, 2024 to 2054

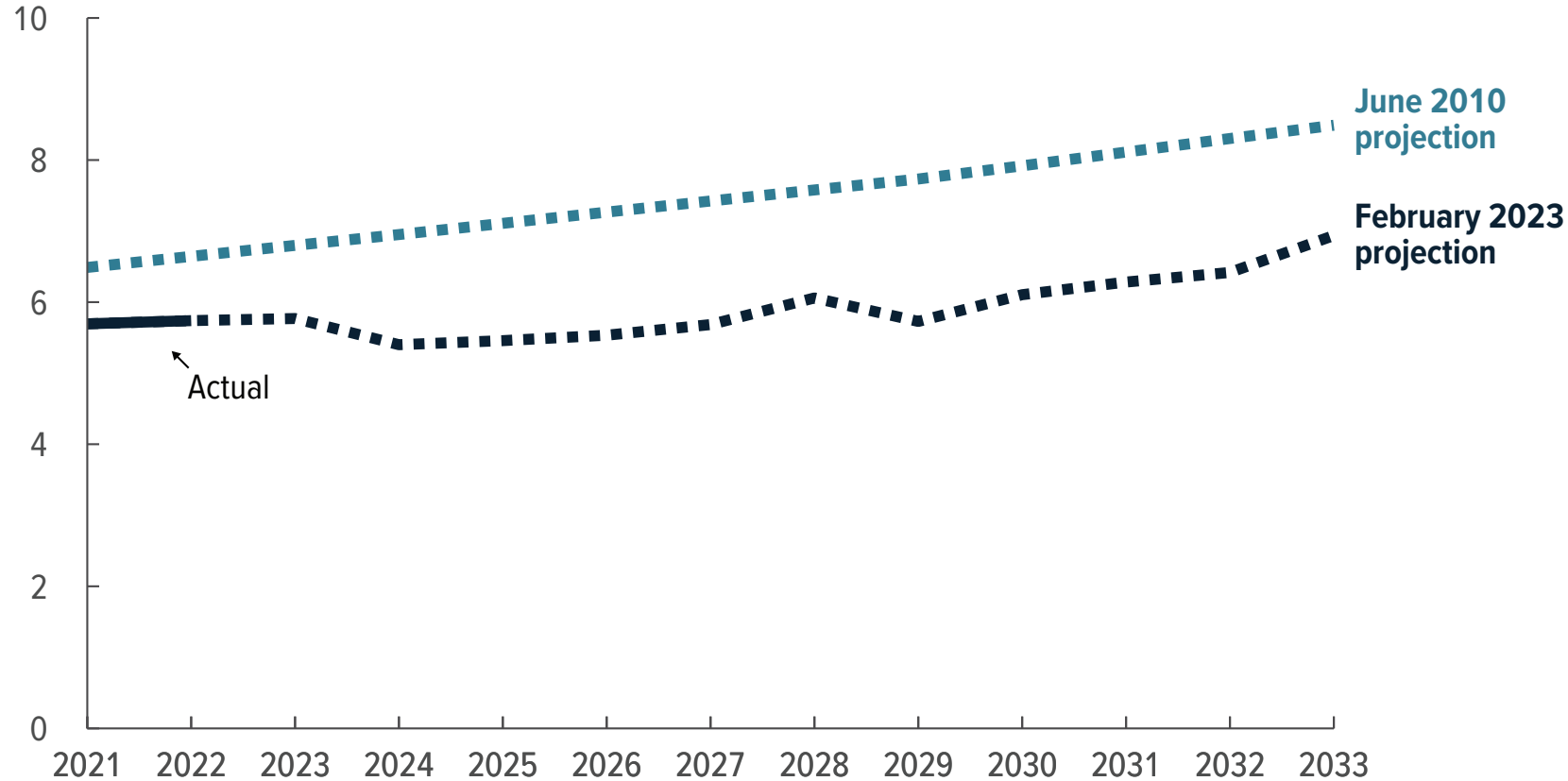
Percentage of gross domestic product



Growth in spending on the major health care programs is largely driven by cost growth above and beyond that accounted for by demographic changes and 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.

# 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.

# Health Over the Life Cycle

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

In particular, how would long-term health trajectories be affected by:

- Expanding insurance coverage of anti-obesity medications, at different ages; and
- Expanding diagnosis and treatment of Hepatitis C?



# Competition and Related Policies

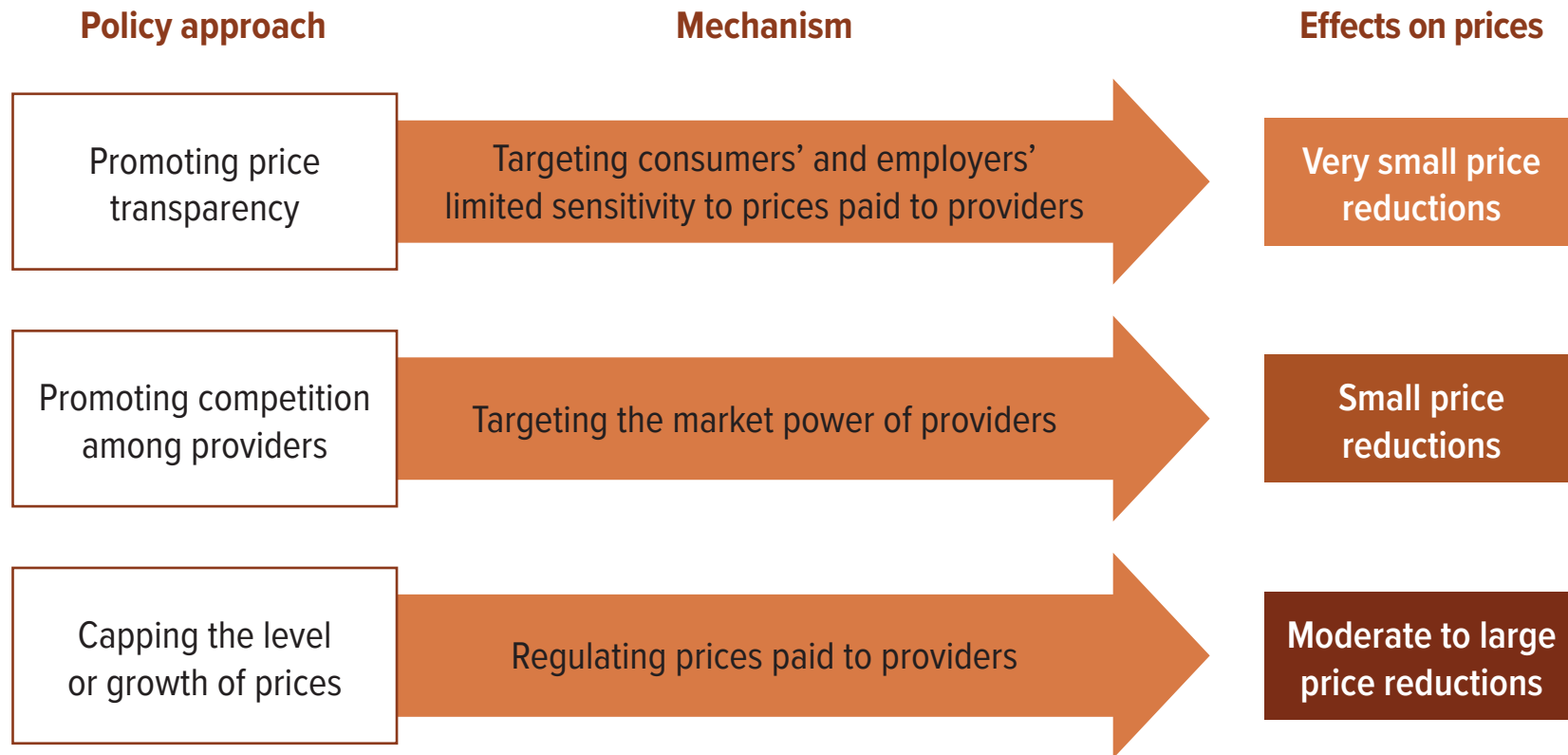
CBO is assessing the roles of federal policies and other factors.

For example, some policies have incentives for providers to move out of independent practices and into larger systems.

CBO is studying effects on:

- Prices,
- Site of care, and
- Utilization patterns.

# Policy Approaches to Reduce What Commercial Insurers Pay for Hospitals' and Physicians' Services





# Options for Larger Spending Reductions for Fiscal Years 2023 to 2032 That Relate to Health Care

Billions of dollars

## Projected Savings From Options for Reducing the Deficit

Option	Title	Savings 2023–2032
1	Establish Caps on Federal Spending for Medicaid	501 to 871
2	Limit State Taxes on Health Care Providers	41 to 526
3	Reduce Federal Medicaid Matching Rates	68 to 667
4	Increase the Premiums Paid for Medicare Part B	57 to 448
5	Reduce Medicare Advantage Benchmarks	392
6	Reduce Tax Subsidies for Employment-Based Health Insurance	500 to 893
7	Reduce Social Security Benefits for High Earners	40 to 184
8	Set Social Security Benefits to a Flat Amount	270 to 593
9	Increase the Maximum Taxable Earnings That Are Subject to Social Security Payroll Taxes	670 to 1,204
10	Reduce Spending on Other Mandatory Programs	580
11	Reduce the Department of Defense’s Annual Budget	995
12	Reduce Nondefense Discretionary Spending	332
13	Increase Individual Income Tax Rates	502 to 1,329
14	Eliminate or Limit Itemized Deductions	541 to 2,507
15	Impose a New Payroll Tax	1,136 to 2,253
16	Impose a Tax on Consumption	1,950 to 3,050
17	Impose a Tax on Emissions of Greenhouse Gases	571 to 865