Implications of Rising Health Care Costs

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The Federal Budget, Selected Years, 1971–2011

Percentage of GDP

- Spending
- Revenues
- Deficit
- Surplus

Yearly data for 1971 to 2011, showing the percentage of GDP for Spending, Revenues, Deficit, and Surplus.
Federal Debt Held by the Public, Selected Years, 1971–2011

Percentage of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of GDP</th>
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<tbody>
<tr>
<td>1971</td>
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<td>1976</td>
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<td>1981</td>
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<td>1986</td>
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<td>1991</td>
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<td>1996</td>
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<td>2001</td>
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<tr>
<td>2006</td>
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<td>2011</td>
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</table>
Federal Debt Held by the Public Under CBO’s Long-Term Budget Scenarios

Percentage of GDP

- Actual
- Projected
- Alternative Fiscal Scenario
- Extended-Baseline Scenario


Y-Axis: Percentage of GDP

X-Axis: Years from 2000 to 2035
Primary Spending and Revenues, by Category, Under CBO’s Long-Term Budget Scenarios

Percentage of GDP

Extended-Baseline Scenario

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

* 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

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

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

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

Percentage of GDP

- 1985
- 2009
- 2035 (Projected)