



Congressional Budget Office

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Assessing Effects on the Federal Budget of Policies to Promote Health and Prevent Disease

Presentation to the Alliance for Health Reform

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Assessing the Cost Impact of Health Interventions: Key Concepts

- Costs of Health Care
 - Effects on per capita health care spending
- Cost Effectiveness
 - Return on investment
- Budgetary Impact 
 - Effects on the federal government's spending and revenues

Considerations in Estimating the Budgetary Impact of a Proposed Health Policy

- Baselines for Health Care Spending, Health Risks, and Health Outcomes
- Behavioral Responses to the Policy
- Effects on Federal Spending
 - Medicare, Medicaid, Social Security (OASI and DI), Supplemental Security Income, other federal programs
- Direct and Indirect (Health-related) Revenue Effects
- Strength of the Evidence Base

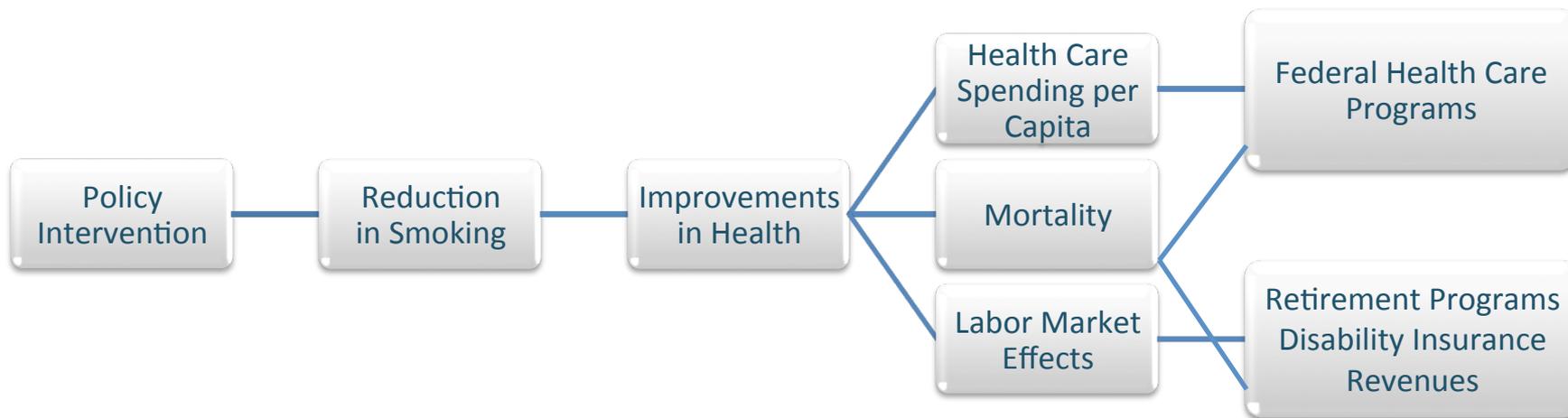
Types of Health Promotion and Disease Prevention Interventions

- Clinical Preventive Services
- Community-Based Health Promotion
- Regulations to Limit Risky Behavior
- Personal Financial Incentives to Modify Risky Behavior
- Excise Taxes on Products with Health Risks

Goal of CBO's Smoking Project

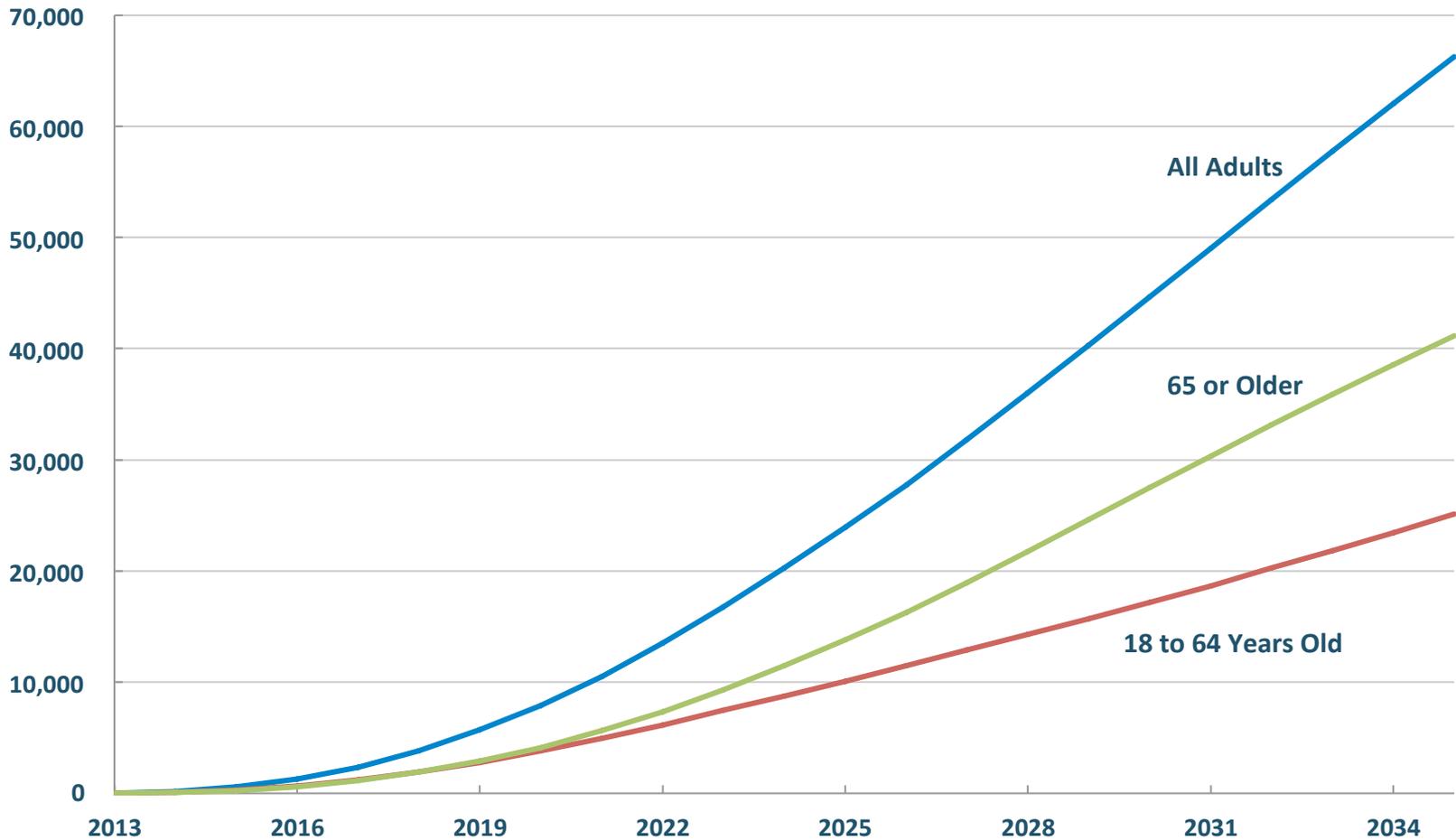
- Assess the Full Budgetary Consequences of an Increase in the Federal Excise Tax on Cigarettes
 - Consider a 50-cent increase (indexed for inflation and growth in income)
 - Focus primarily on changes in outlays and revenues resulting from changes in health because of the policy
 - Estimate effects for the 10-year “budget window” and the longer term
- Caveats
 - Policymakers’ decisions depend on other considerations besides the budget
 - Other policies to improve health would probably have different budgetary effects
 - Strength of evidence was a factor in selecting this case study of a prevention policy

CBO's General Analytic Approach



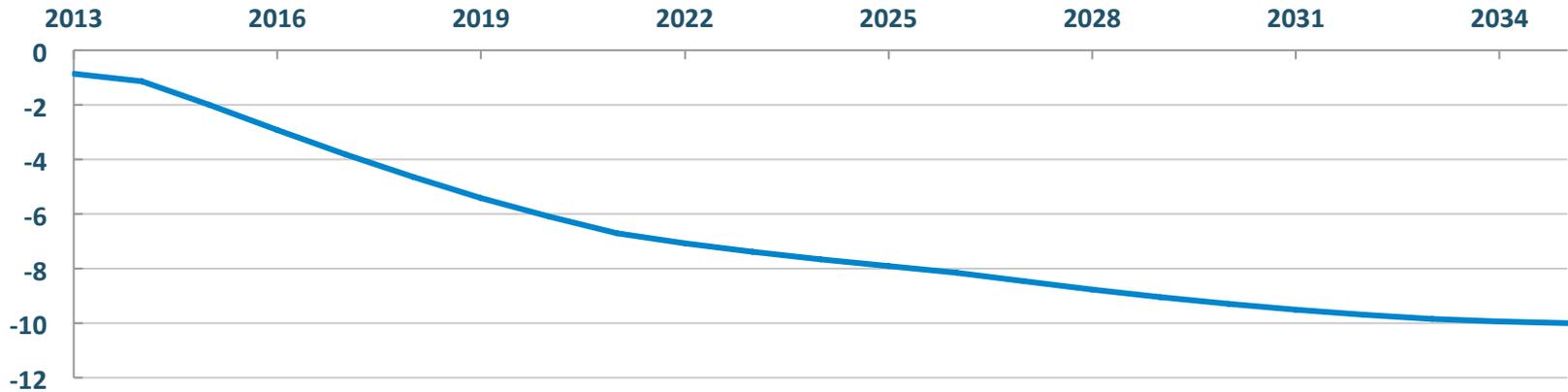
Increase in the Population Because of the Policy

Number of Additional People

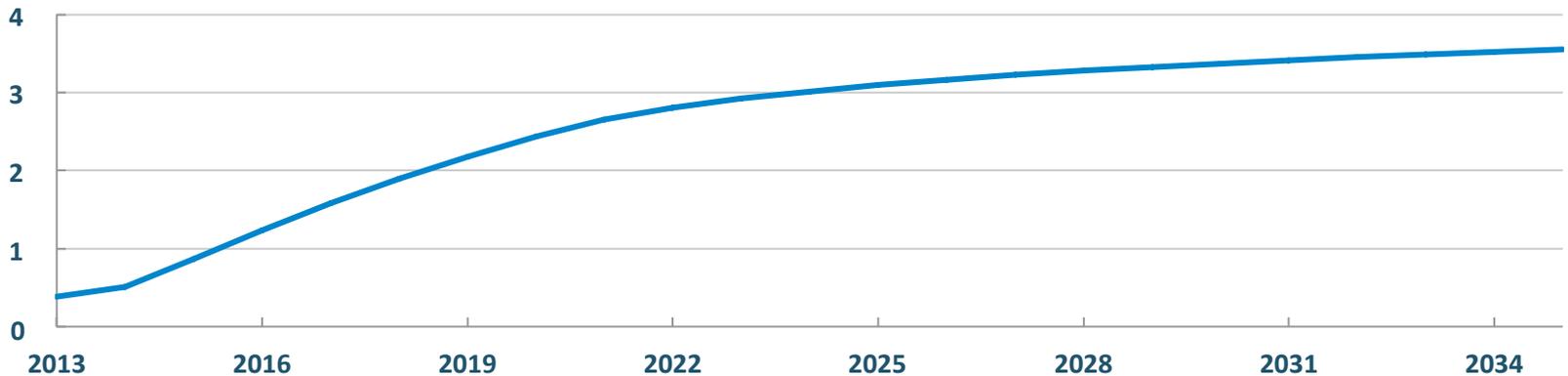


Average Changes in Health Care Spending and Earnings for Adults Affected by the Policy

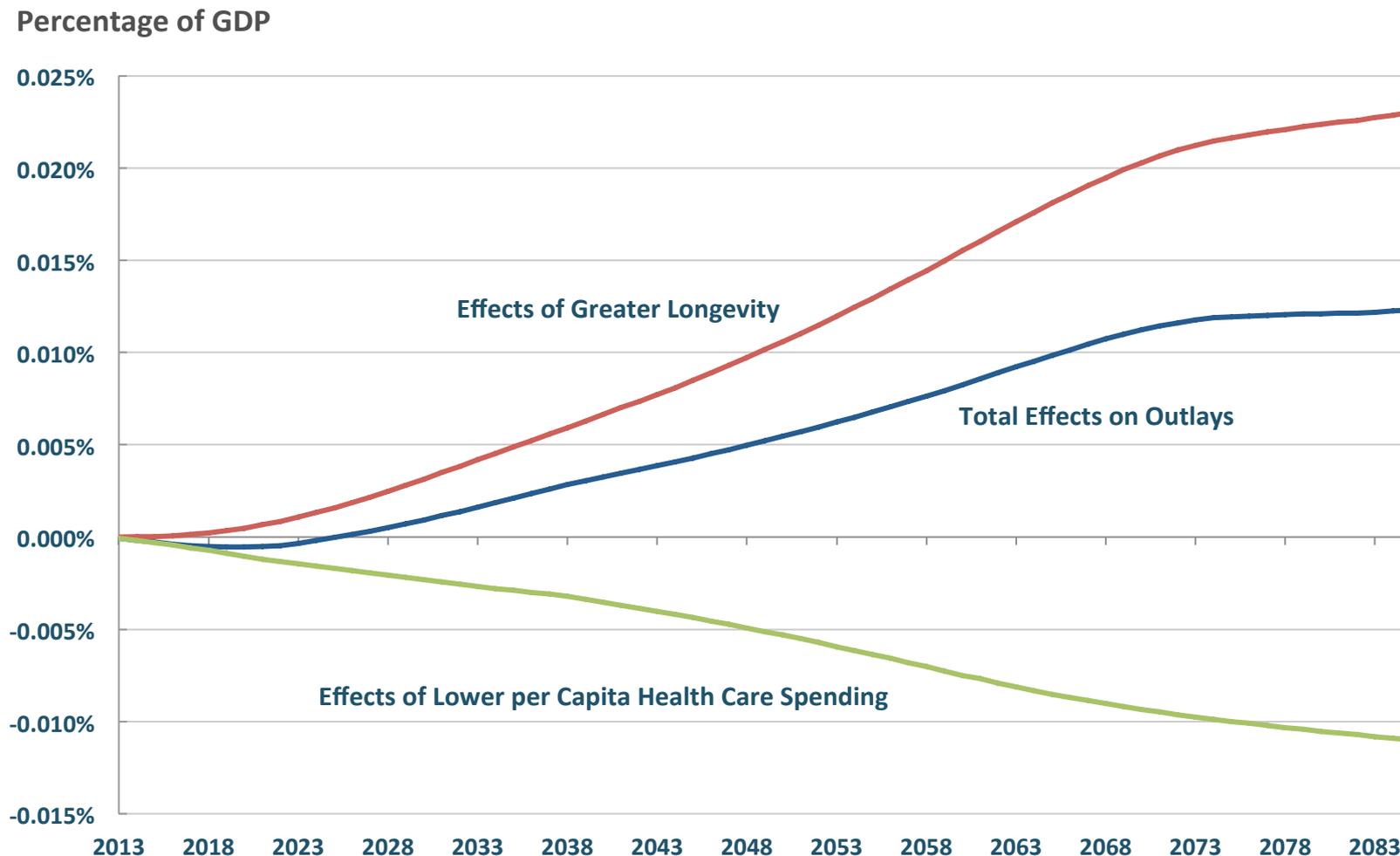
Percentage Change in Health Care Spending per Capita



Percentage Change in Earnings per Capita

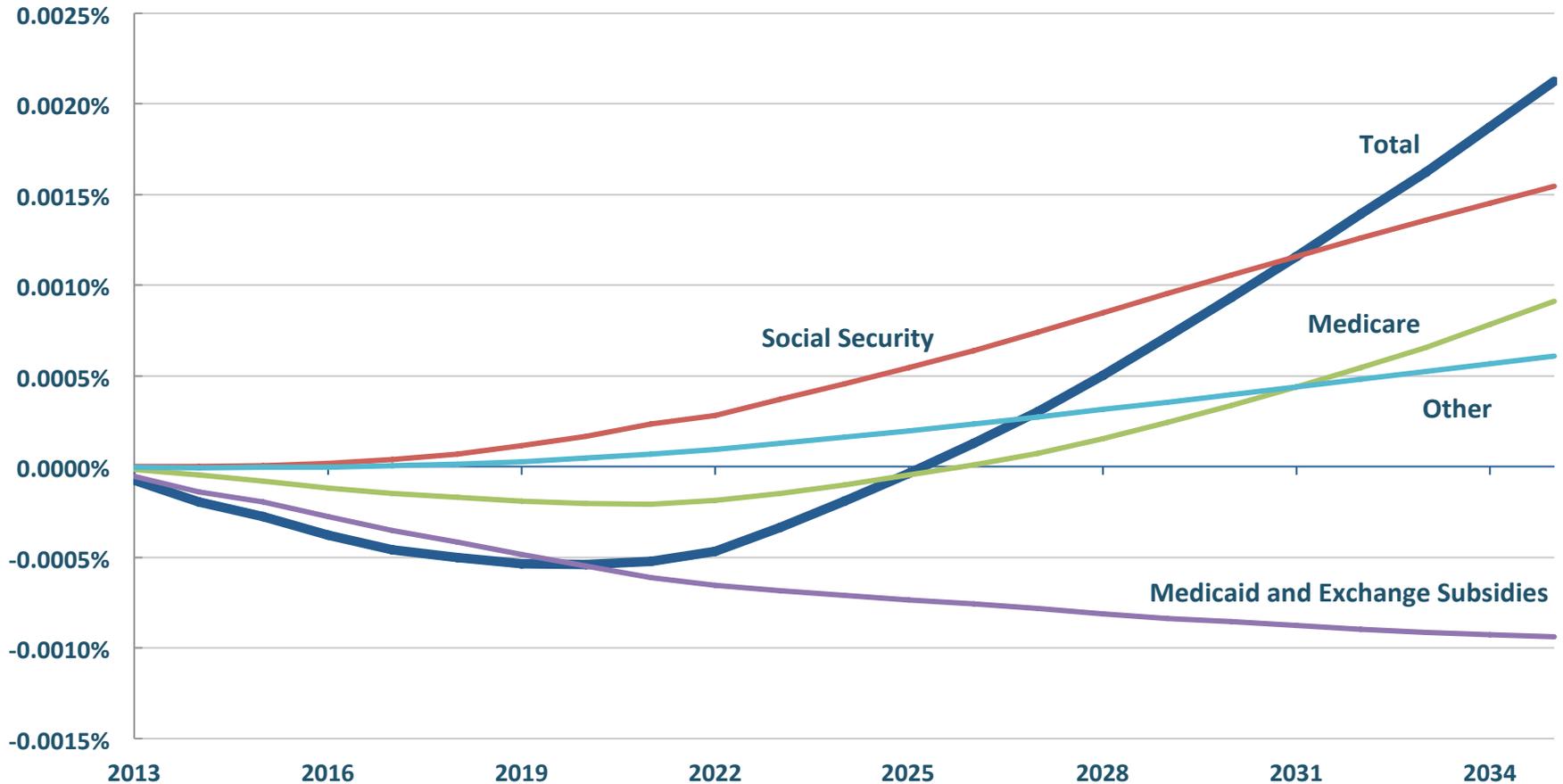


Effects on Outlays of Increased Longevity and Lower per Capita Health Care Spending



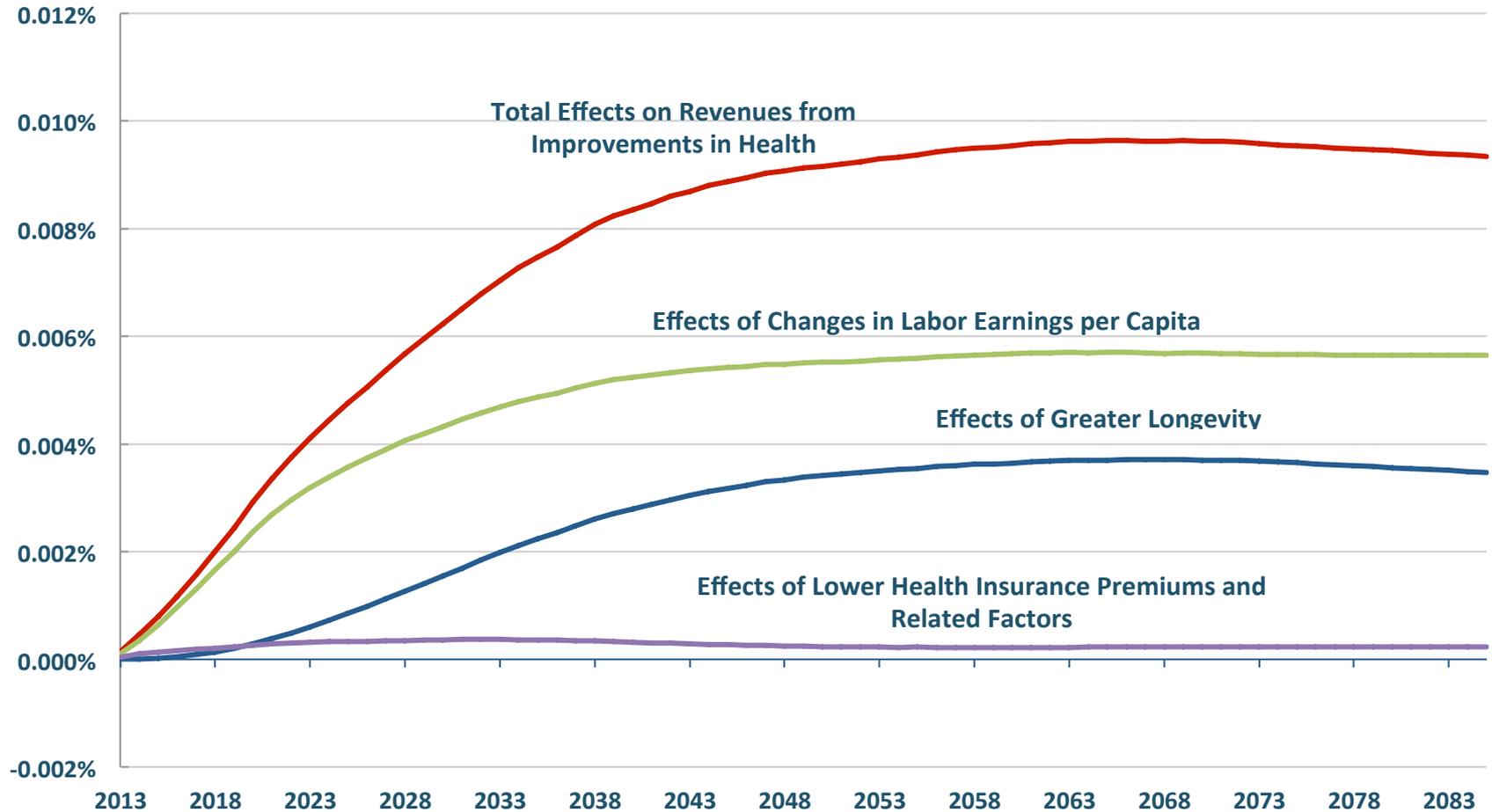
Effects on Outlays, by Program

Percentage of GDP

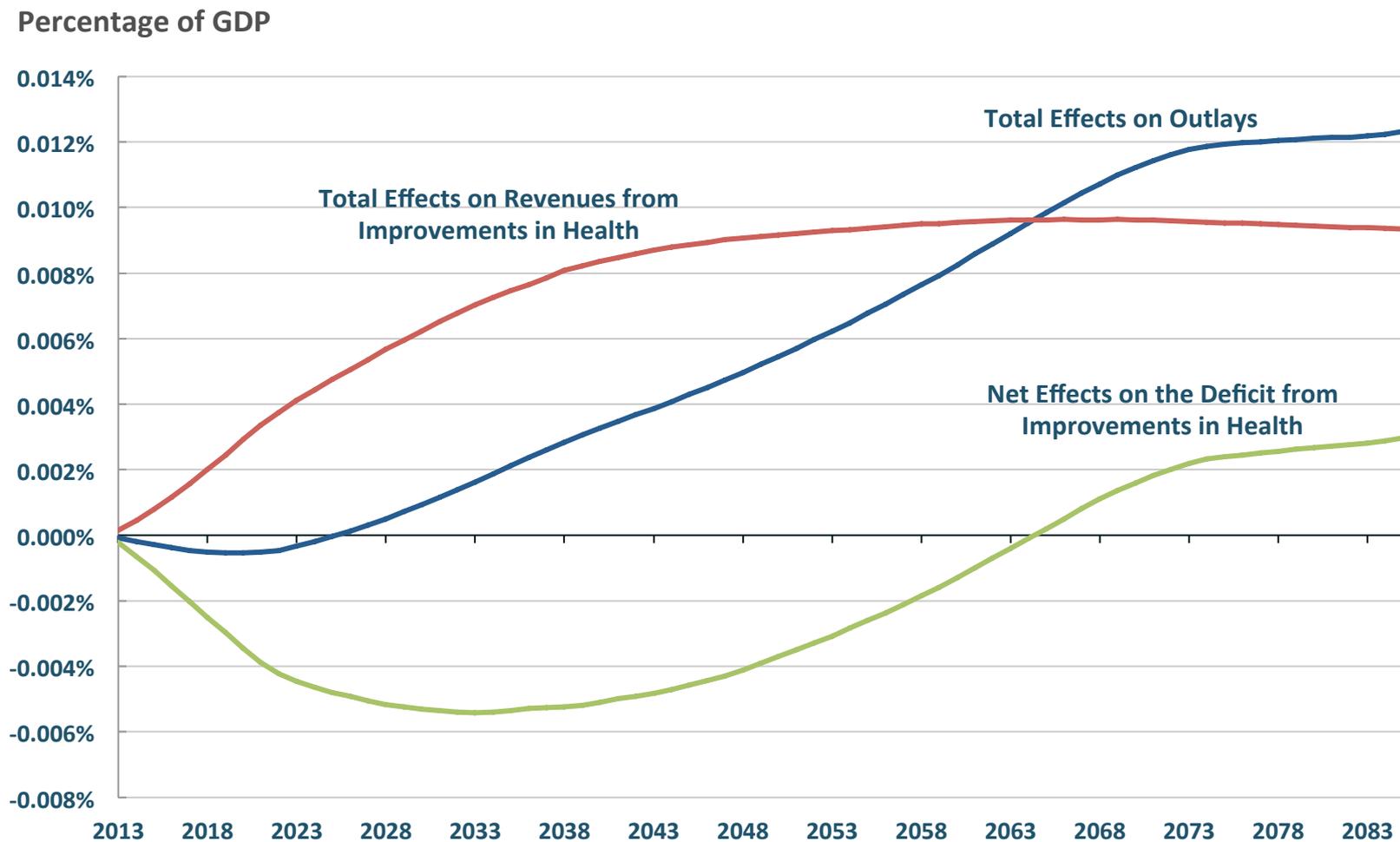


Health-Related Effects on Revenues

Percentage of GDP

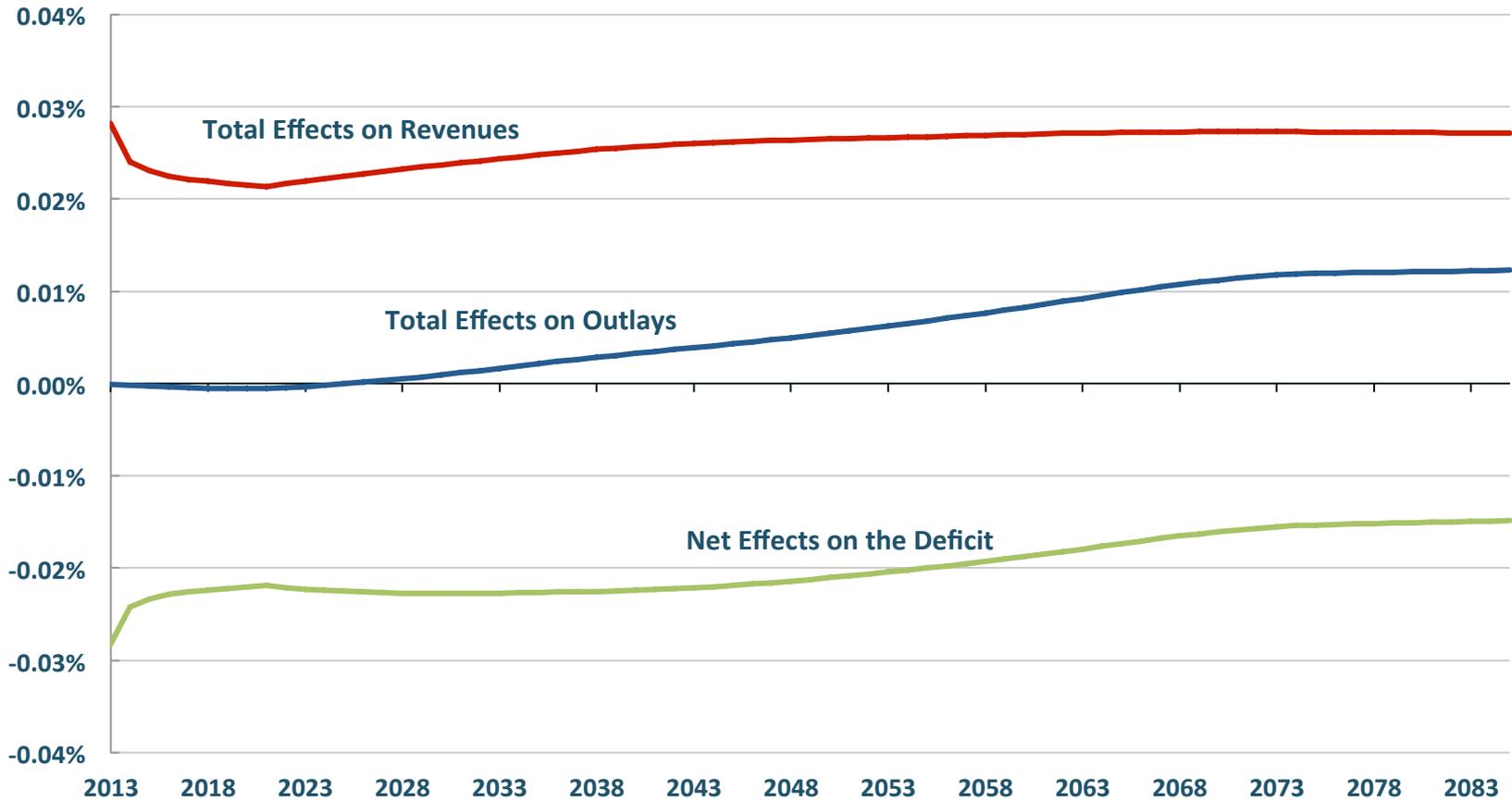


Health-Related Effects on Revenues, Outlays, and the Deficit



Overall Budgetary Effects of the Policy

Percentage of GDP



Main Conclusions

- Changes in Federal Spending from Improved Health Would Be Relatively Small
- Federal Spending Would Be Lower in the First Decade but Would Begin Rising in the Second or Third Decade
- Better Health Would Raise Revenues on an Ongoing Basis
- Combined, Those Health Effects Would Produce Very Small Declines in the Deficit for About Five Decades
- The Largest Budgetary Effects Would Come from Excise Tax Receipts, Dominating Health Effects for at Least 75 Years

For further information, see Congressional Budget Office, *Raising the Excise Tax on Cigarettes: Effects on Health and the Federal Budget* (June 2012), www.cbo.gov/publication/43319