Federal Spending Under CBO’s Alternative Fiscal Scenario

Percentage of Gross Domestic Product

Actual vs. Projected

Medicare and Medicaid

Social Security

Other Spending (Excluding debt service)
## Estimated Contributions of Selected Factors to Long-Term Growth in Real Health Care Spending per Capita, 1940 to 1990

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging of the Population</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Changes in Third-Party Payment</td>
<td>10</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Personal Income Growth</td>
<td>11-18</td>
<td>5</td>
<td>&lt;23</td>
</tr>
<tr>
<td>Prices in the Health Care Sector</td>
<td>11-22</td>
<td>19</td>
<td>Not Estimated</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>3-10</td>
<td>13</td>
<td>Not Estimated</td>
</tr>
<tr>
<td>Defensive Medicine and Supplier-Induced Demand</td>
<td>0</td>
<td>Not Estimated</td>
<td>0</td>
</tr>
<tr>
<td>Technology-Related Changes in Medical Practice</td>
<td>38-62</td>
<td>49</td>
<td>&gt;65</td>
</tr>
</tbody>
</table>
Sources of Growth in Projected Federal Spending on Medicare and Medicaid

Percentage of Gross Domestic Product

- Effect of Aging Alone
- Effect of Excess Cost Growth Alone
- Interaction

Year:
- 2007
- 2022
- 2037
- 2052
- 2067
- 2082
Medicare Spending per Beneficiary in the United States, by Hospital Referral Region, 2005
Variations Among Academic Medical Centers

Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report’s “Honor Roll” AMCs

<table>
<thead>
<tr>
<th>Biologically Targeted Interventions: Acute Inpatient Care</th>
<th>UCLA Medical Center</th>
<th>Massachusetts General Hospital</th>
<th>Mayo Clinic (St. Mary’s Hospital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMS composite quality score</td>
<td>81.5</td>
<td>85.9</td>
<td>90.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life</th>
<th>UCLA Medical Center</th>
<th>Massachusetts General Hospital</th>
<th>Mayo Clinic (St. Mary’s Hospital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Medicare spending</td>
<td>50,522</td>
<td>40,181</td>
<td>26,330</td>
</tr>
<tr>
<td>Hospital days</td>
<td>19.2</td>
<td>17.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Physician visits</td>
<td>52.1</td>
<td>42.2</td>
<td>23.9</td>
</tr>
<tr>
<td>Ratio, medical specialist / primary care</td>
<td>2.9</td>
<td>1.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Elliot Fisher, Dartmouth Medical School.
Applications of health IT can enable providers to deliver better-quality health care more efficiently by:

- Eliminating medical transcription and physical management of files
- Prompting prescription of generic rather than brand-name drugs
- Reducing duplication of diagnostic tests
- Reminding physicians of appropriate preventative care
- Identifying drug interactions and allergies

But the cost implications of health IT depend on context:

- Health IT is “necessary but not sufficient” to generate savings
  - Financial incentives
  - Use of information
  - Toaster analogy
- Health IT applications are most promising in integrated health systems
Untapped Resource: Health IT Could Have Critical Role in Comparative Effectiveness Research

- Widespread use of health IT applications could make large sets of data on care and outcomes available for comparative effectiveness research

- Health IT systems could aid in implementing and tracking changes in care based on research findings
The RAND Corporation Study

- RAND estimated $80 billion in net annual savings potentially attributable to Health IT adoption
- Examined *potential* rather than *likely* impact
- Considered only studies demonstrating positive effects from implementation of Health IT systems
- Did not consider growth in adoption under current law when calculating savings
## Policies to Promote Health IT Systems

Mechanisms to promote the use of health IT

- Subsidies for adopting new technologies
  - Induces those who are “close” to adopting
- Penalties for failing to use health IT system
- Requirement to use health IT