



Congressional Budget Office

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Health Care Spending Today and in the Future: Impacts on Federal Deficits and Debt

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For more details, see CBO, The 2017 Long-Term Budget Outlook (March 2017), www.cbo.gov/publication/52480

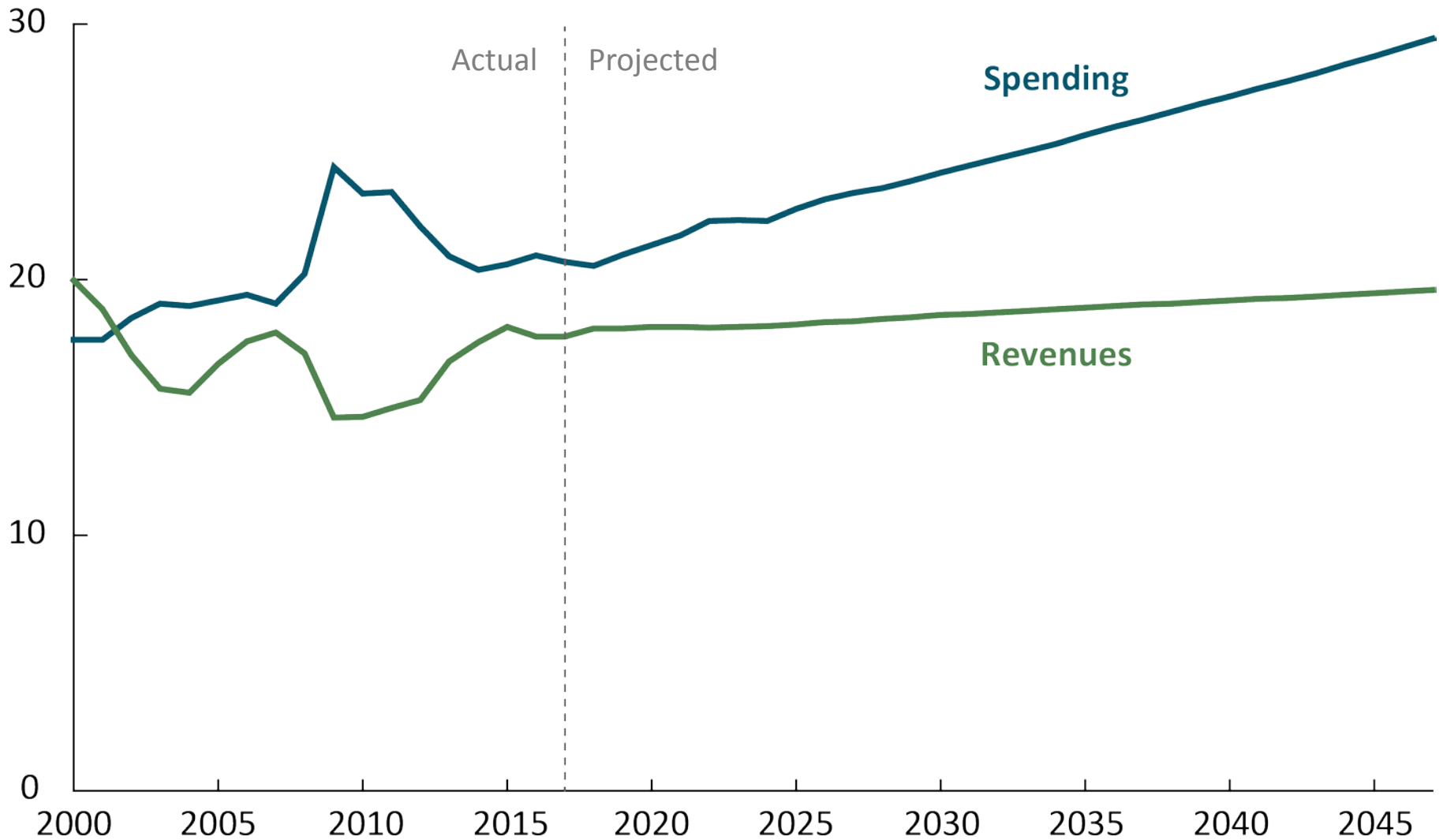
An Overview of the Long-Term Budget Outlook

If current laws governing taxes and spending did not change, the condition of the federal budget would worsen considerably over the next three decades.

Growth in federal spending would continue to outpace growth in federal revenues, leading to ever larger budget deficits.

Federal Spending and Revenues

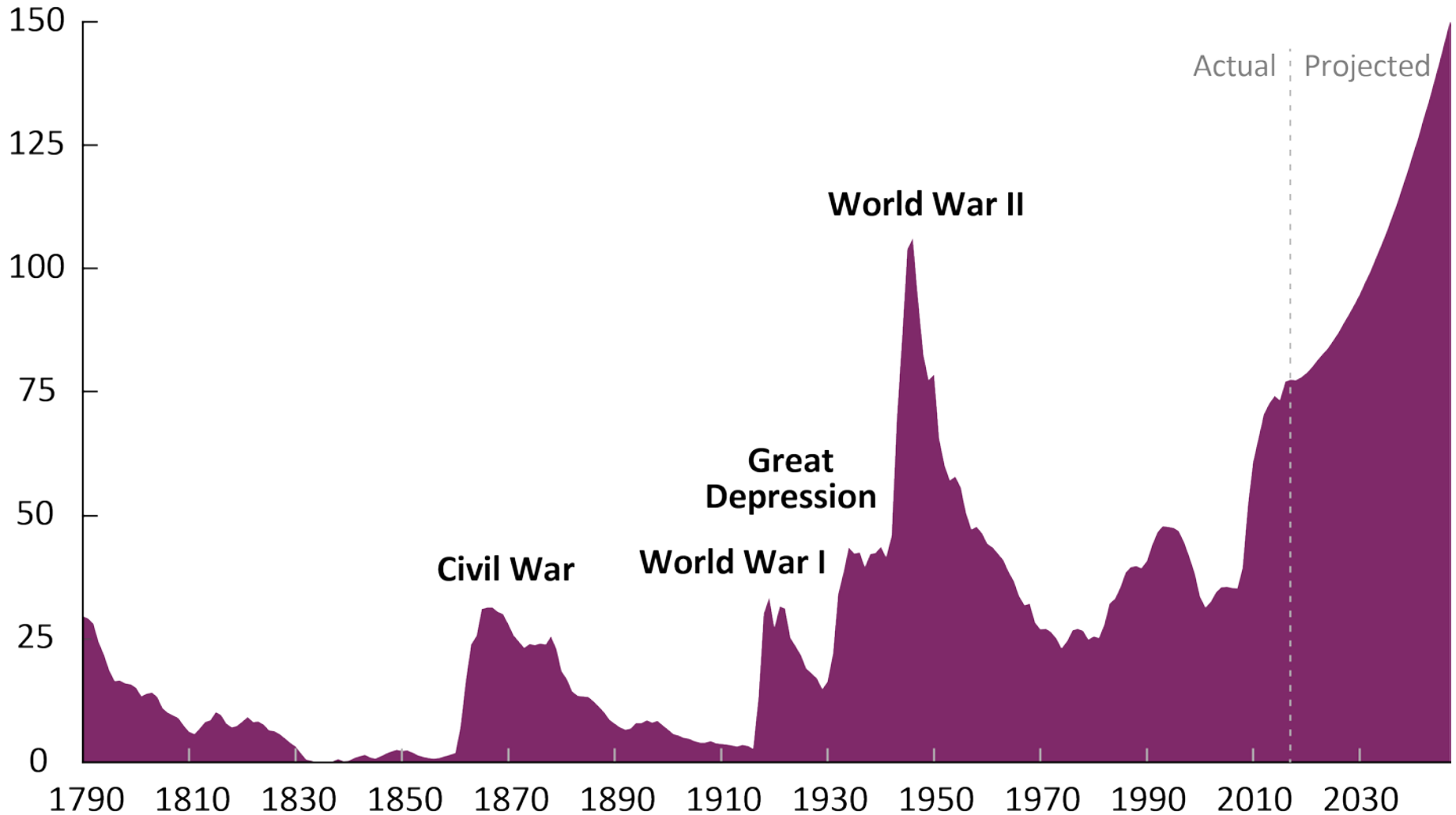
Percentage of Gross Domestic Product



As a result, debt would grow larger in relation to the economy than ever recorded in U.S. history.

Federal Debt Held by the Public

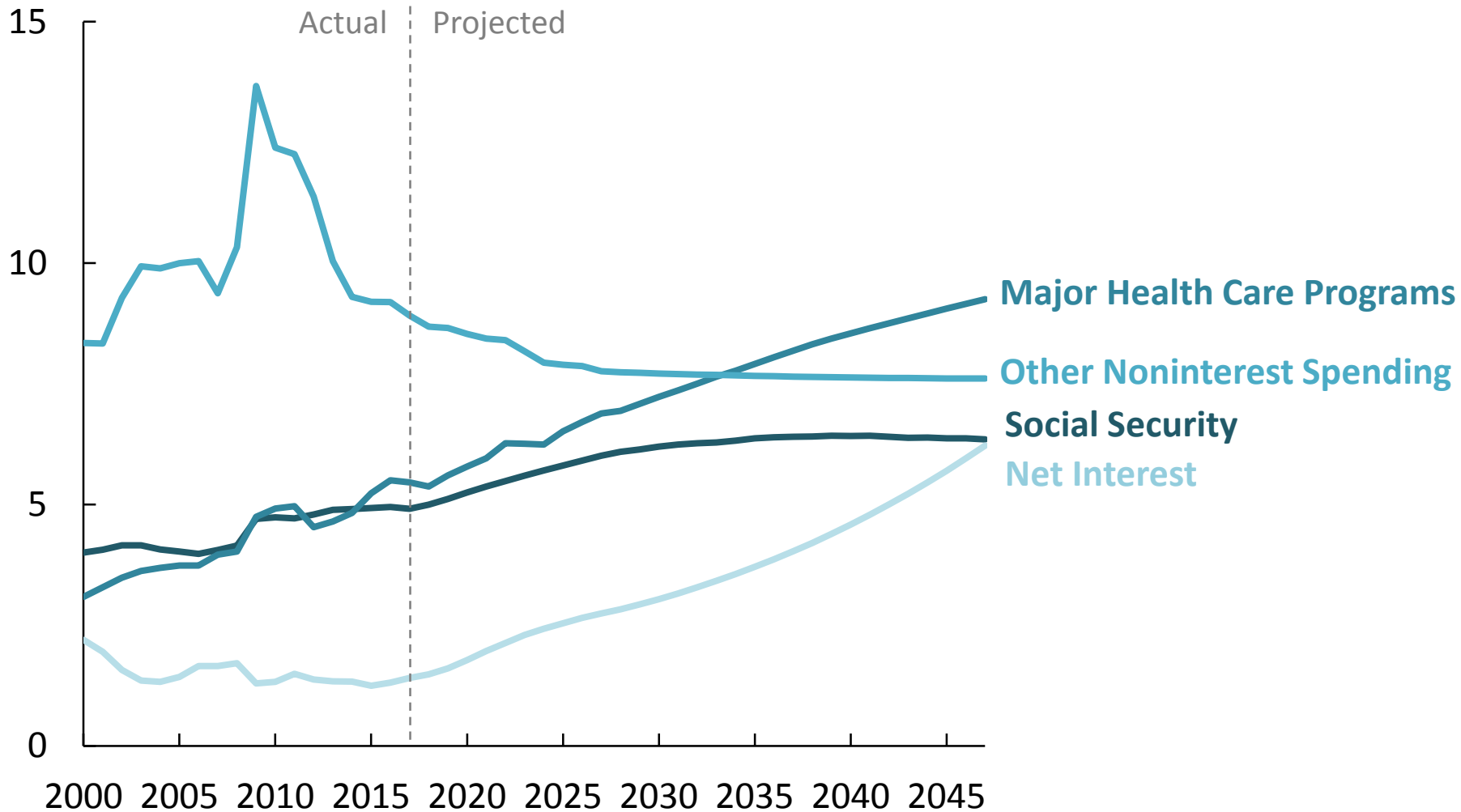
Percentage of Gross Domestic Product



Federal spending is projected to rise notably in relation to the economy because of growth in spending on Social Security, the major health care programs, and interest on the government's debt.

Components of Federal Spending

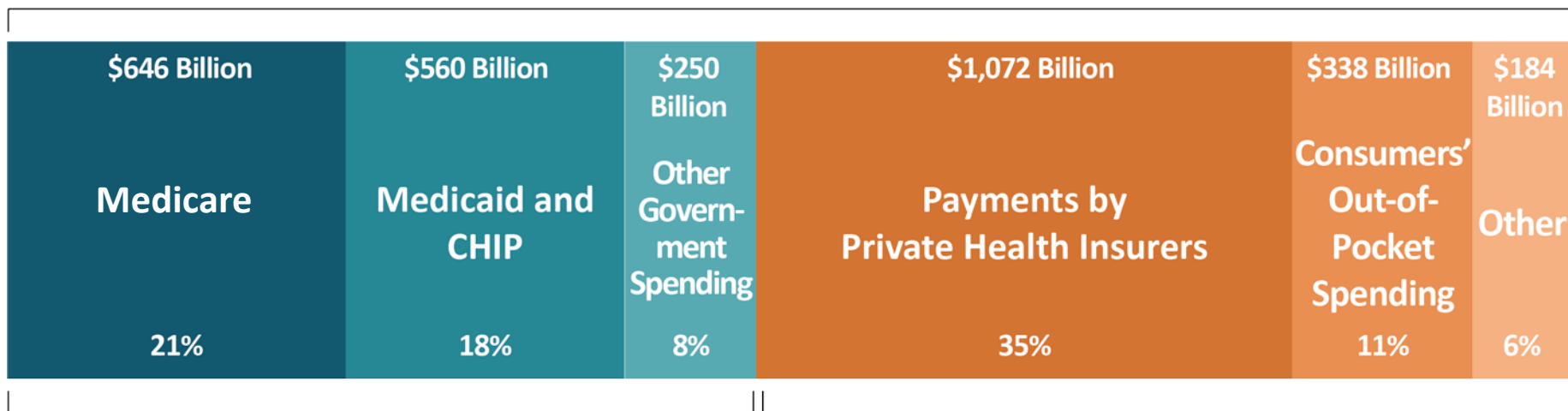
Percentage of Gross Domestic Product



Health Care Spending Today

National Spending for Health Care, 2015

Total Health Care Spending: \$3.1 Trillion



Public Spending: \$1.5 Trillion, or 48 Percent

Private Spending: \$1.6 Trillion, or 52 Percent

CBO defines outlays for the major health care programs as spending for:

- Medicare,
- Medicaid,
- Children’s Health Insurance Program (CHIP), and
- Subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

Net Outlays for Major Health Care Programs in 2017

Billions of Dollars

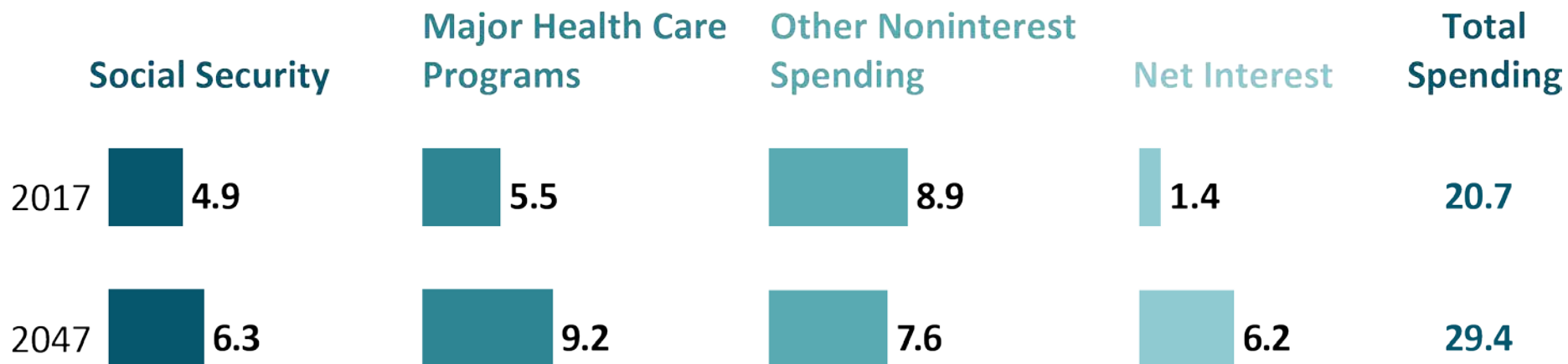
| | |
|---|--------------|
| Medicare | 590 |
| Medicaid | 385 |
| Health Insurance Subsidies and Related Spending | 51 |
| Children's Health Insurance Program | 15 |
| Total | 1,041 |

Health Care Spending in the Long-Term Budget Outlook

If current laws generally remain unchanged, CBO projects that federal spending on the major health care programs would grow larger than any other category of spending.

Spending in the Past and Under CBO's Extended Baseline

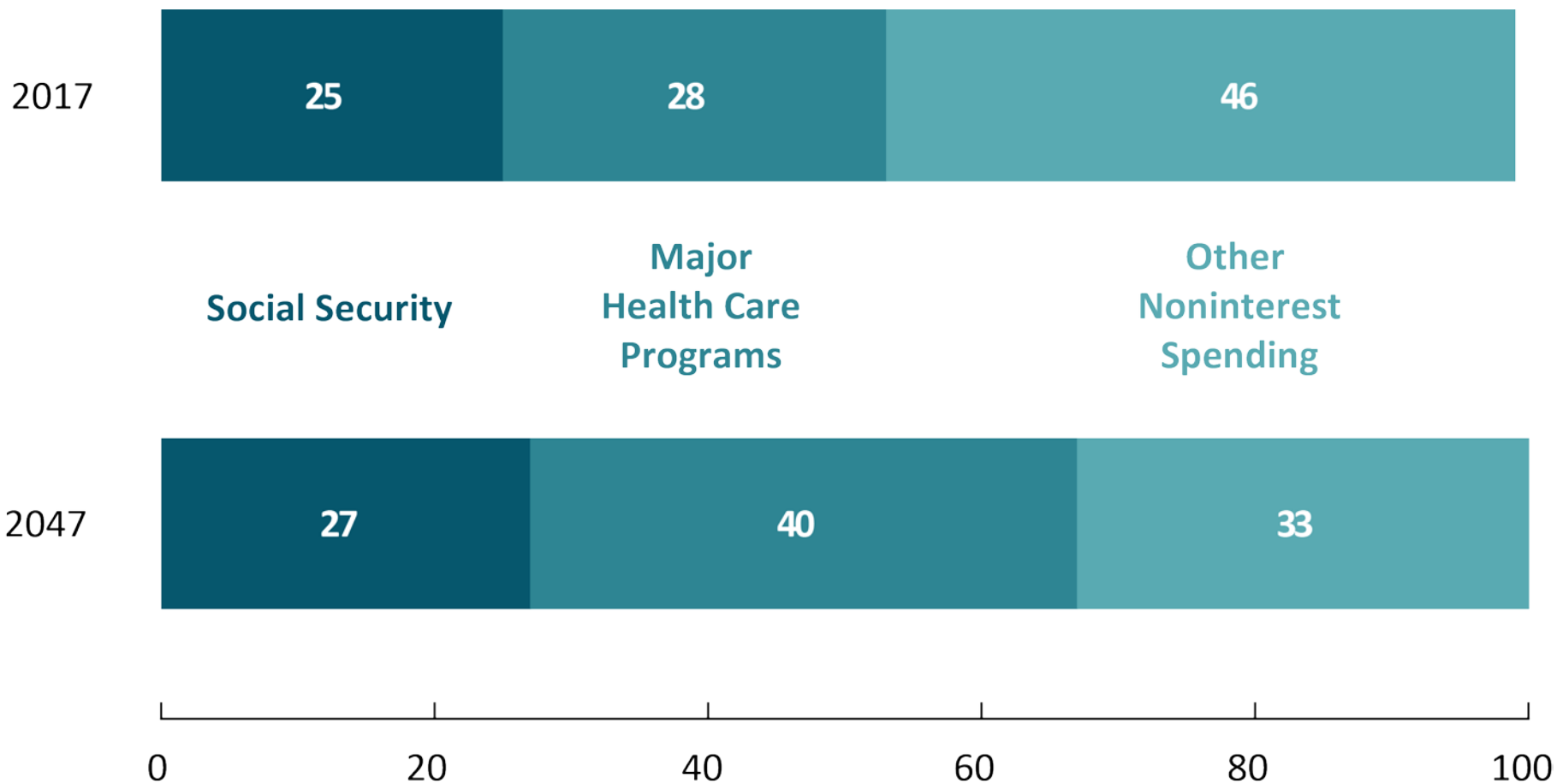
Percentage of Gross Domestic Product



Spending on the major health care programs would account for 40 percent of federal noninterest spending in 2047, compared with 28 percent today.

Composition of Federal Noninterest Spending Under CBO's Extended Baseline

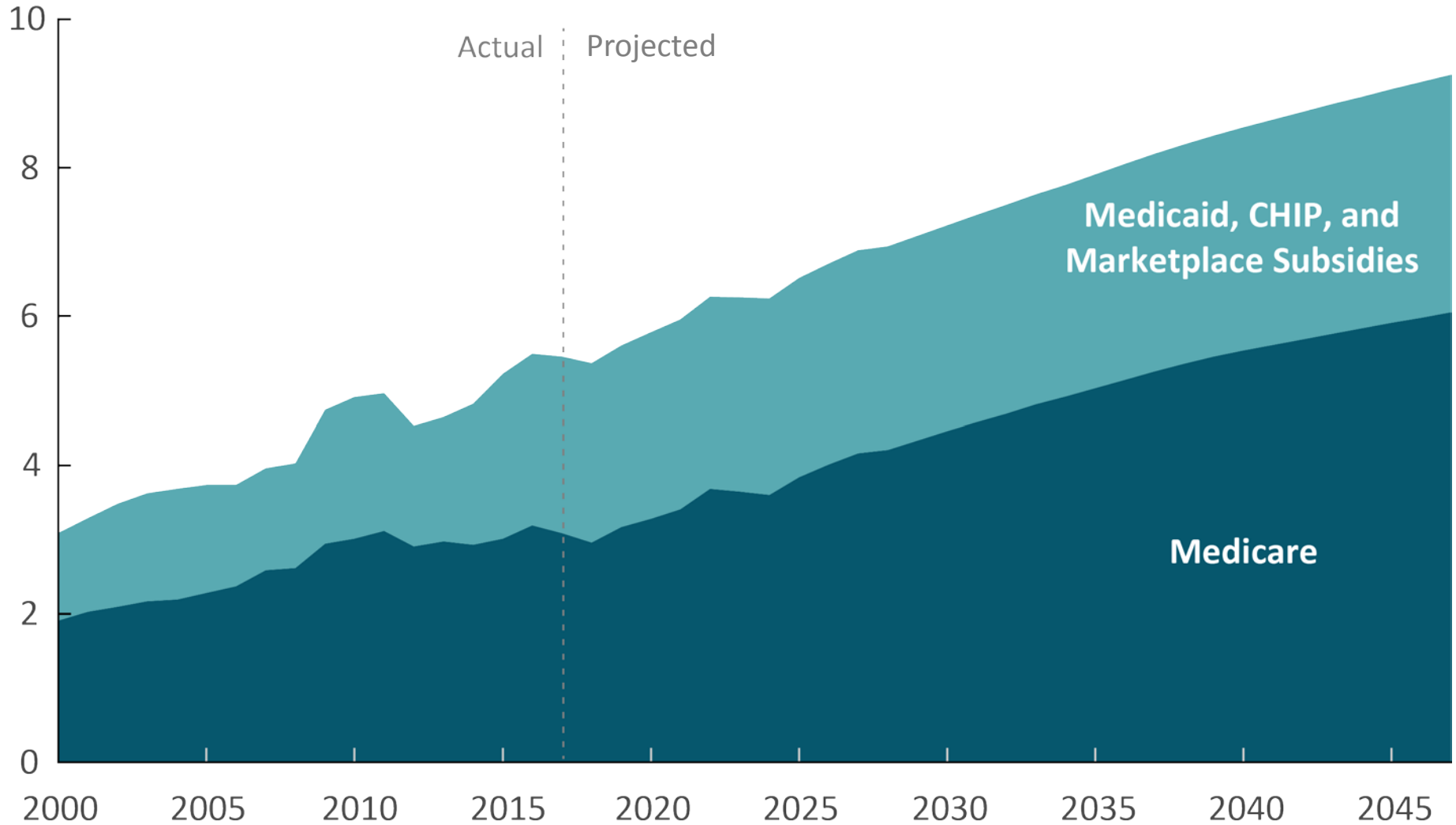
Percent



Spending on Medicare is projected to drive much of the growth in spending on major health care programs.

Federal Spending on the Major Health Care Programs, by Category

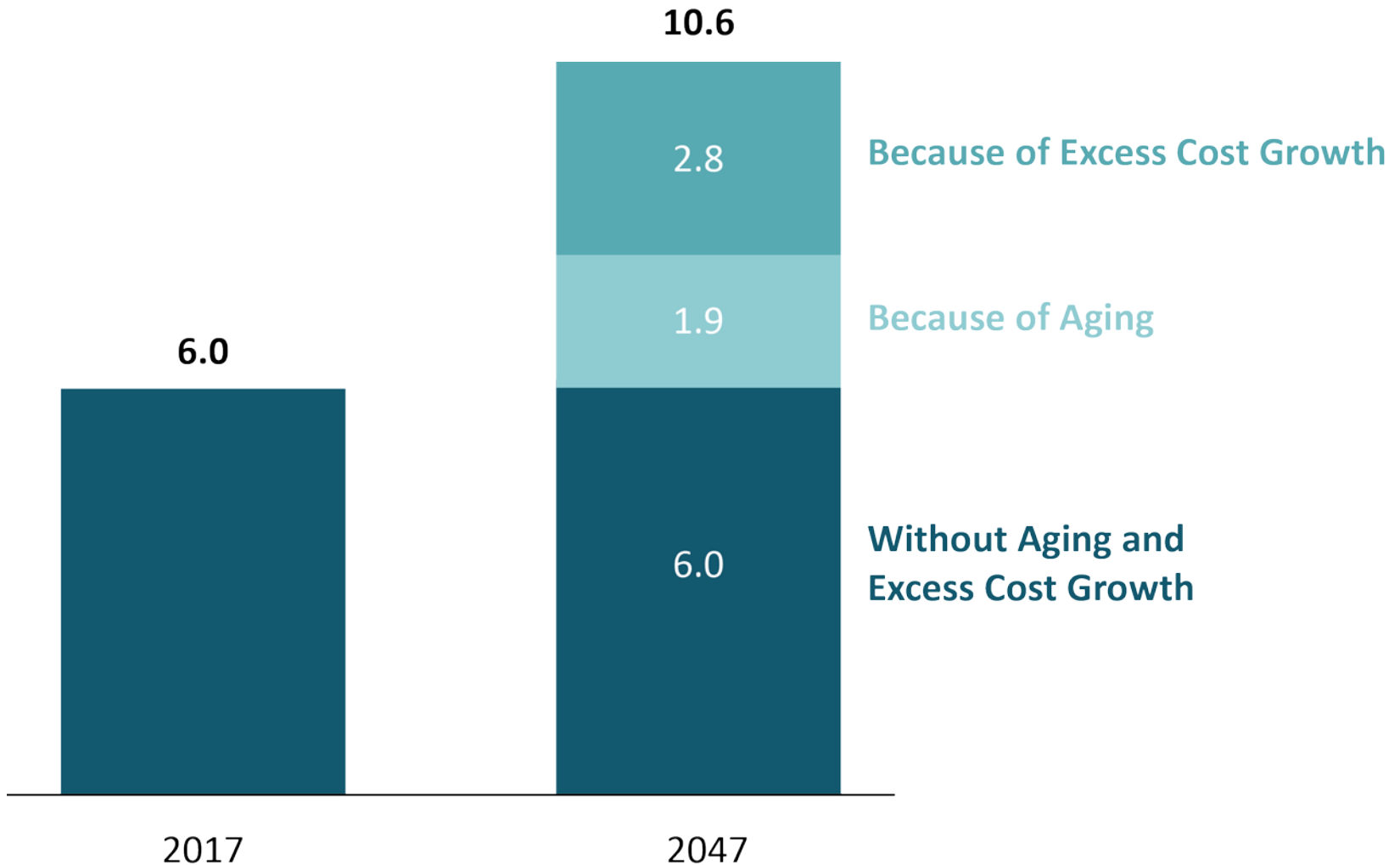
Percentage of Gross Domestic Product



Two factors explain the projected growth in spending on major health care programs: aging and rising health care costs per person, or excess cost growth.

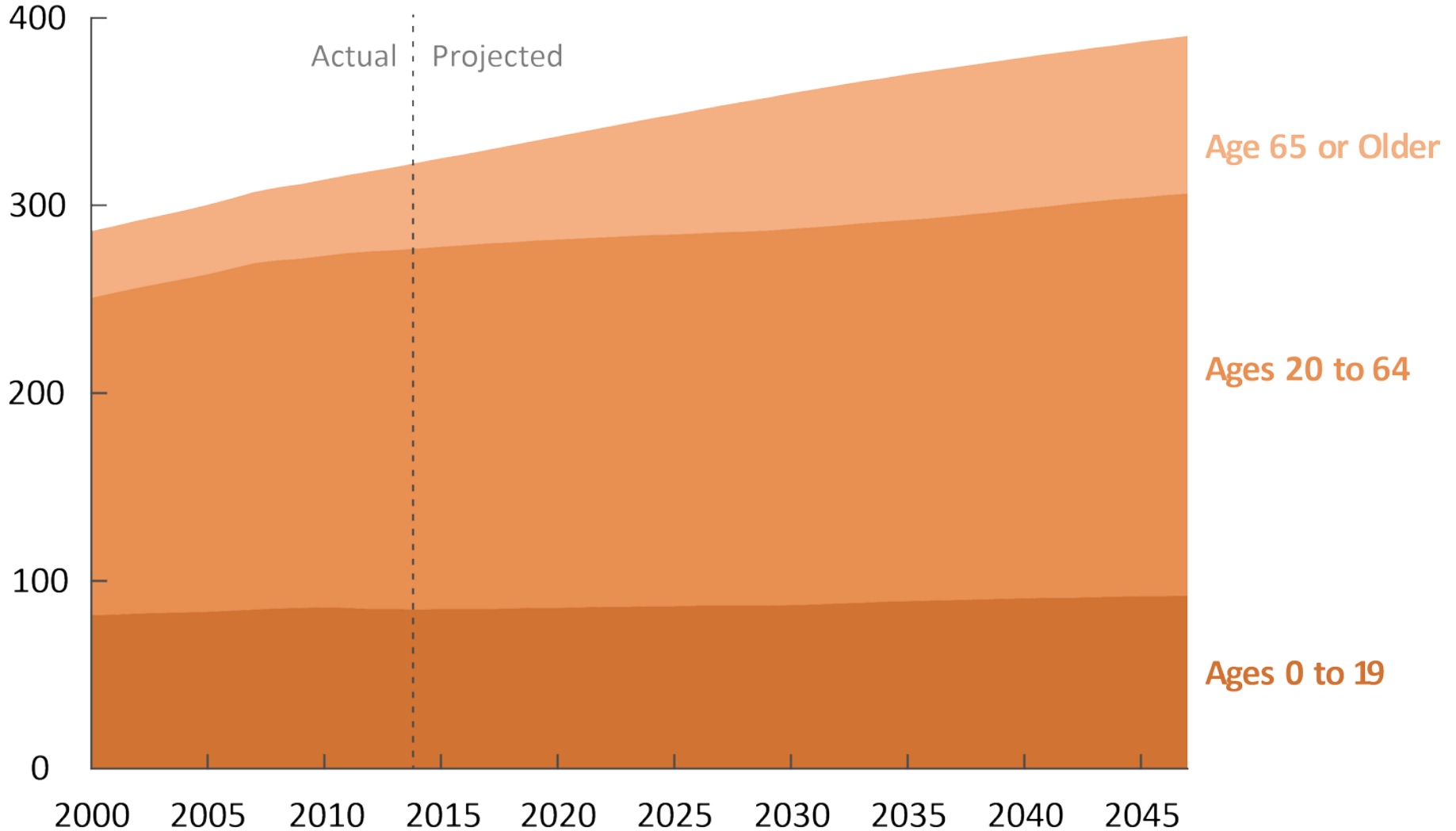
Projected Spending Growth in the Major Health Care Programs

Percentage of Gross Domestic Product



Population, by Age Group

Millions of People

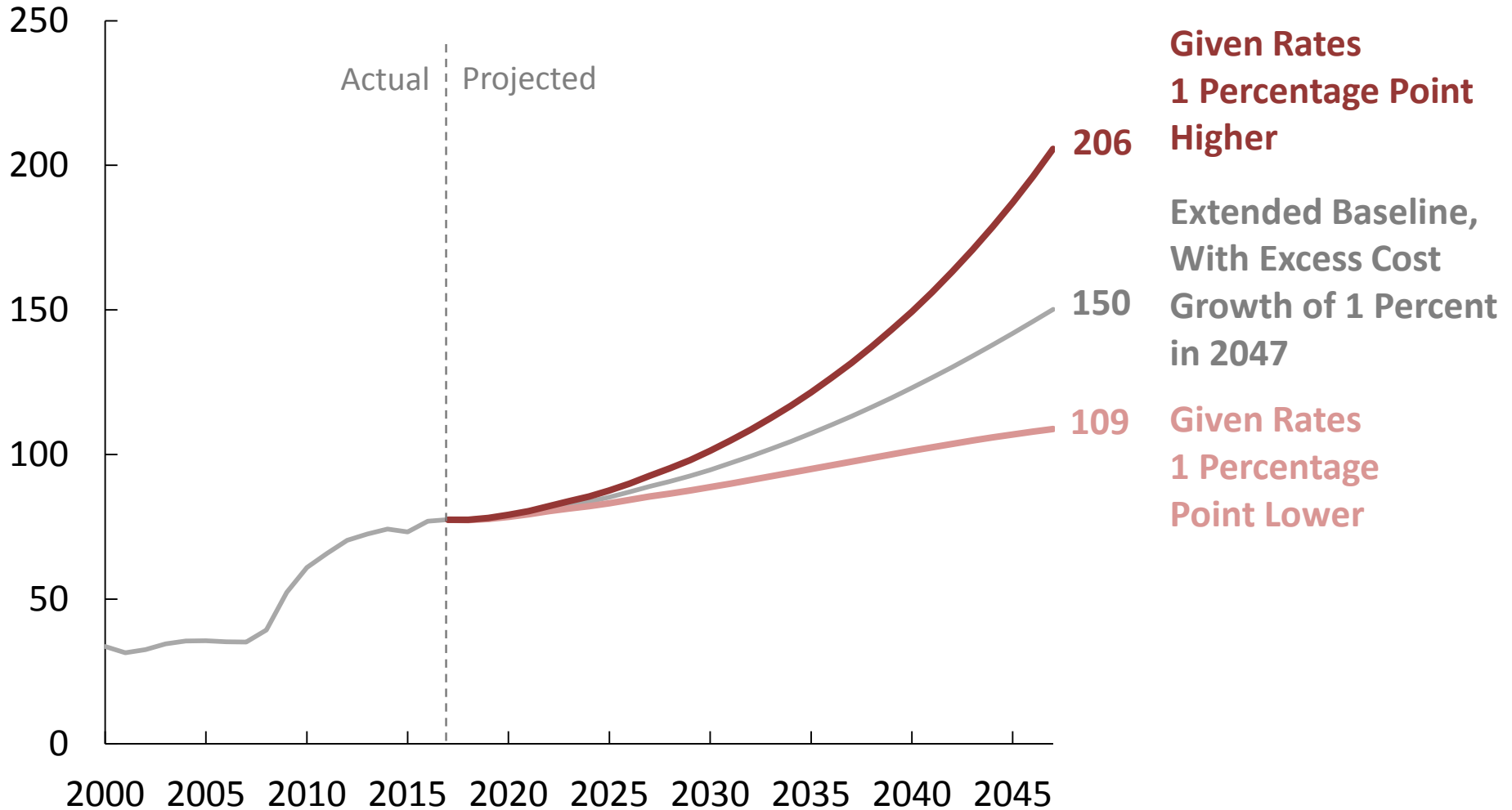


Uncertainty in the Long-Term Projection

Even if future tax and spending policies matched the policies specified under current law, budgetary outcomes would undoubtedly differ from CBO's projections because of changes in the economy, demographics, and other factors, such as excess cost growth.

Federal Debt Given Different Rates of Excess Cost Growth for Federal Spending on Medicare and Medicaid

Percentage of Gross Domestic Product



This presentation will be available on CBO's website, www.cbo.gov.