



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

June 26, 2023

Honorable Sheldon Whitehouse
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Re: CBO's Work Related to Climate Change and Health Care Delivery Systems

Dear Mr. Chairman:

You asked about work the Congressional Budget Office is doing to assess the risks posed by climate change and to examine the effects that reforms to health care delivery systems, including the use of accountable care organizations (ACOs), have on costs and health outcomes. I am writing to provide you with information about that ongoing work.¹ CBO will continue to make progress in addressing those and other areas that are of critical interest to you and your colleagues.

Climate Change

CBO is working to provide more information to the Congress about the risks that climate change poses to the budget and the economy. The agency estimates the budgetary effects of policies addressing climate change over the 10-year budget period. It has also estimated the economic effects of climate change over longer periods, including the next 30 years—the period considered in the agency's long-term budget projections. Those economic estimates are based on a central point-estimate or on a range encompassing the middle two-thirds of the distribution of projected outcomes. For instance, CBO previously reported that it expects that real gross domestic product (that is, GDP adjusted to remove the effects of inflation) will be

¹ For quarterly updates about CBO's work, see Congressional Budget Office, "CBO's Work in Progress," www.cbo.gov/taxonomy/term/3/recurring-reports#27.

1 percent lower in 30 years than it would have been if the climate had remained unchanged since 2000.²

As a part of its efforts to provide additional information about the effects of climate change, CBO will produce a report summarizing research on the risks from climate change that does the following:

- Draws on climate scenarios with higher or lower concentrations of greenhouse gases than those underlying CBO's central estimates;
- Projects that a given concentration of greenhouse gases would have larger or smaller effects on the climate and the economy than the estimates CBO has previously used;
- Analyzes a period extending beyond the next 30 years, during which effects might accelerate;
- Accounts for effects, such as those on people's health, that are not directly captured by estimates of changes in GDP; and
- Examines potential climate-related tipping points or long-tailed risks and the substantial effects they could have on the United States.

That report will also discuss the potential implications of climate risks for federal spending and revenues.

CBO continues to investigate the budgetary and economic effects of climate change through several other channels. For example, the agency is looking into how the federal government's exposure to flood risk through residential mortgage guarantee programs could affect outlays. It is also assessing how flood risk varies by people's income and demographic characteristics and how climate change may affect that risk in the future. And it is evaluating how climate change affects the availability of insurance against loss of residential property resulting from wildfires, floods, and other natural disasters.

² Evan Herrnstadt and Terry Dinan, *CBO's Projection of the Effect of Climate Change on U.S. Economic Output*, Working Paper 2020-06 (Congressional Budget Office, September 2020), www.cbo.gov/publication/56505.

In addition, CBO is continuing to develop models to analyze policies—such as incentives to purchase electric vehicles and to use nonfossil fuels to generate electricity—that could affect emissions of greenhouse gases.

Health Care Delivery Systems

CBO is working to provide more information to the Congress about the effects that reforms in health care delivery systems have on overall trends in health spending. The agency is particularly focused on policies aimed at improving the quality of care while controlling cost growth. As a part of those efforts, the agency is currently assessing the effects of accountable care organizations—groups of providers that collectively assume responsibility for the quality and total cost of care for a defined group of patients. ACOs may comprise several types of providers, including physicians, hospitals, and other providers, such as skilled nursing facilities and home health agencies.

Within the Medicare system, ACOs operate either under the Medicare Shared Savings Program (MSSP)—the permanent ACO program in the fee-for-service program—or as demonstrations under the authority of the Center for Medicare & Medicaid Innovation (CMMI).³ An ACO that delivers high-quality care and whose spending for its patients is below a benchmark amount receives some portion of the difference between that benchmark and the amount that it spent. (That portion is commonly referred to as shared savings.) ACOs that spend more than the benchmark may have to share in some of the financial losses.

CBO’s review of the research literature indicates that, overall, the evidence about the effects of ACOs on Medicare spending is mixed and varies among individual ACOs.⁴ One reason for the mixed results is that the

³ One of the CMMI demonstrations, the Pioneer ACO Model, was certified for expansion in 2015 by the Office of the Actuary of the Centers for Medicare & Medicaid Services and became part of the MSSP.

⁴ See Kristina Hanson Lowell and others, *Next Generation Accountable Care Organization (NGACO) Model Evaluation: Fifth Evaluation Report* (submitted by NORC at the University of Chicago to the Center for Medicare & Medicaid Innovation, November 2022), <https://tinyurl.com/3r6efpnm> (PDF); Matthew J. Trombley and others, “ACO Investment Model Produced Savings, but the Majority Of Participants Exited When Faced With Downside Risk,” *Health Affairs*, vol. 41, no.1 (January 2022), pp. 138–146, <https://doi.org/10.1377/hlthaff.2020.01819>; Grecia Marrufo and others, “Association of the Comprehensive End-Stage Renal Disease Care Model With Medicare Payments and Quality of Care for Beneficiaries With End-Stage Renal Disease,” *JAMA Internal Medicine*, vol. 180, no. 6 (June 2020), pp. 852–860, <https://doi.org/10.1001/jamainternmed.2020.0562>; and J. Michael McWilliams and others, “Medicare Spending After 3 Years of the Medicare Shared Savings Program,” *New England Journal of Medicine*, vol. 379, no. 12 (September 20, 2018), pp. 1139–1149, <https://doi.org/10.1056/NEJMSa1803388>.

amounts of the shared savings paid to ACOs have generally been large enough to offset any reductions in spending that they achieved. Shared savings payments are based on administratively set benchmarks rather than on counterfactual measures of spending for a comparable group of providers and beneficiaries: An ACO might do better than its benchmark—and thus receive payments for the shared savings—but not achieve lower costs than other providers serving similar populations. That outcome is possible because participation in ACOs tends to be voluntary and providers may base their decision about joining on their expected financial benefit. The mixed results may also reflect limitations in finding suitable groups of beneficiaries for comparison.

CBO's work assessing the effects of delivery system reforms will build on the agency's analysis of other health care policies. For example, CBO undertook extensive analysis of potential savings in administrative costs for health care while analyzing policies related to single-payer health care systems.

The agency is also gathering information from industry practitioners, including the leadership teams of organizations implementing delivery system reforms. CBO's analysts will synthesize what they learn from those efforts. The agency may eventually be able to prepare a report that discusses options to slow the growth of health care costs, similar to the reports that the agency regularly publishes that analyze the effects of various options to reduce budget deficits. CBO's staff will consult with the Budget Committees as they learn more and develop potential avenues for publishing the agency's analysis.

In addition to assessing the effects of ACOs, CBO is evaluating the potential impact of preventive services on costs and health outcomes. In particular, the agency is focusing on policies that address chronic illnesses, such as diabetes, and policies that would improve nutrition for targeted populations. CBO is also working to analyze the budgetary effects of policies related to behavioral health, including substance use disorder, mental health, and the overlap between those two areas.

Honorable Sheldon Whitehouse

Page 5

CBO will continue to work with you and the Committee to ensure that the agency fulfills its mission to support the Congress with budgetary and economic analysis. Please contact me if you would like to discuss these topics further.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel
Director

cc: Honorable Chuck Grassley
Ranking Member