



**Congressional Budget Office**

**Presentation for  
The Tax Council**

# **The Budget Outlook and Health Care Challenges**

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Director**

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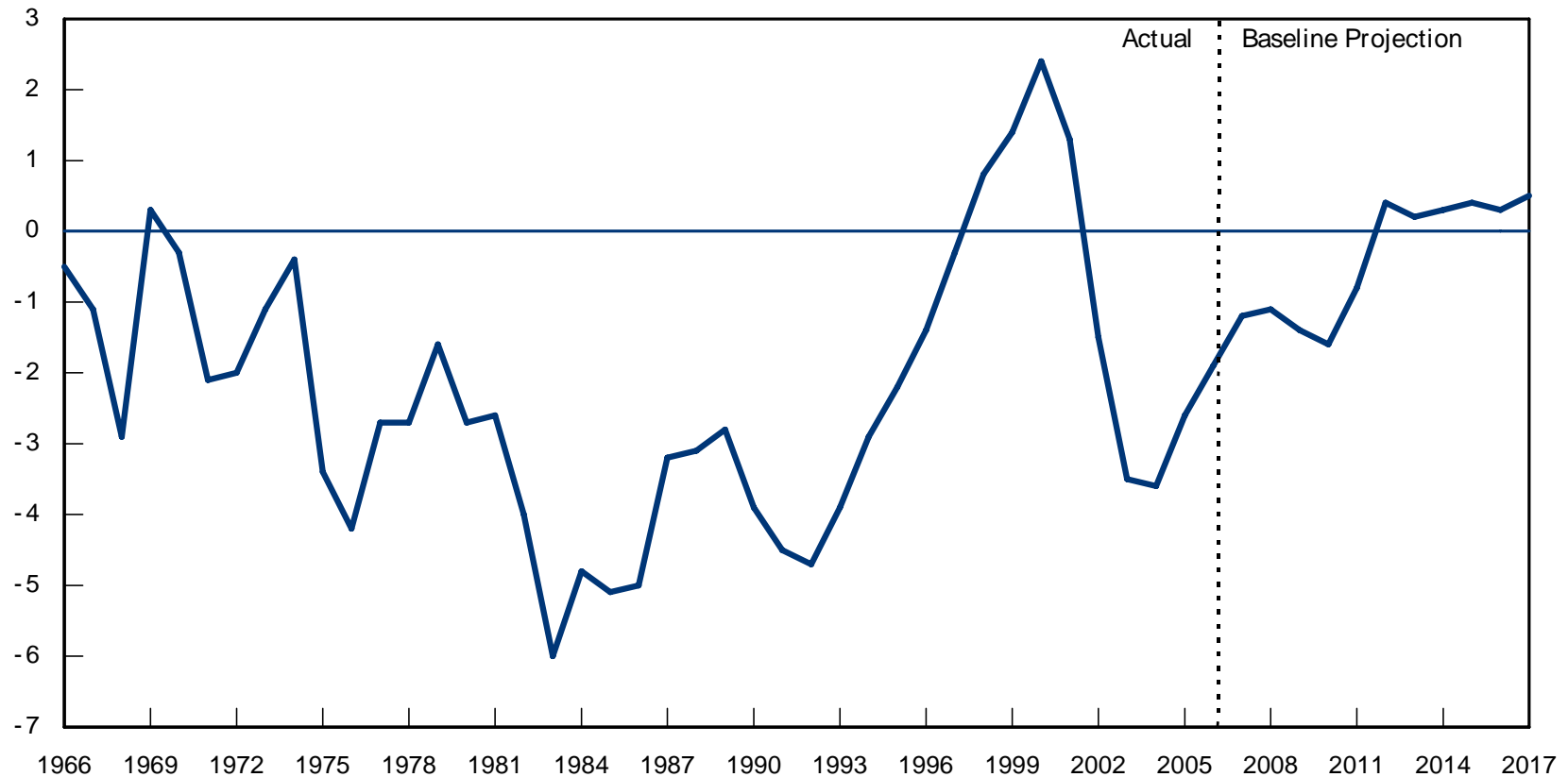


## Budget Outcomes for 2003 and 2006 and CBO's Baseline Budget Projections for 2007

	2003	2006	2007	Changes	
				2003- 2006	2006- 2007
<b>Deficit</b>					
Billions of dollars	-378	-248	-163	129	85
Percentage of GDP	-3.5	-1.9	-1.2	1.6	0.7
<b>Outlays (Percentage of GDP)</b>	20.0	20.4	20.0	0.4	-0.4
Discretionary	7.6	7.8	7.6	0.2	-0.2
Mandatory	10.9	10.8	10.7	-0.1	-0.2
<b>Revenues (Percentage of GDP)</b>	16.5	18.5	18.8	2.0	0.3
Individual income taxes	7.3	8.0	8.5	0.7	0.5
Corporate Income taxes	1.2	2.7	2.7	1.5	0
Social insurance and other taxes	7.9	7.8	7.6	-0.2	-0.2

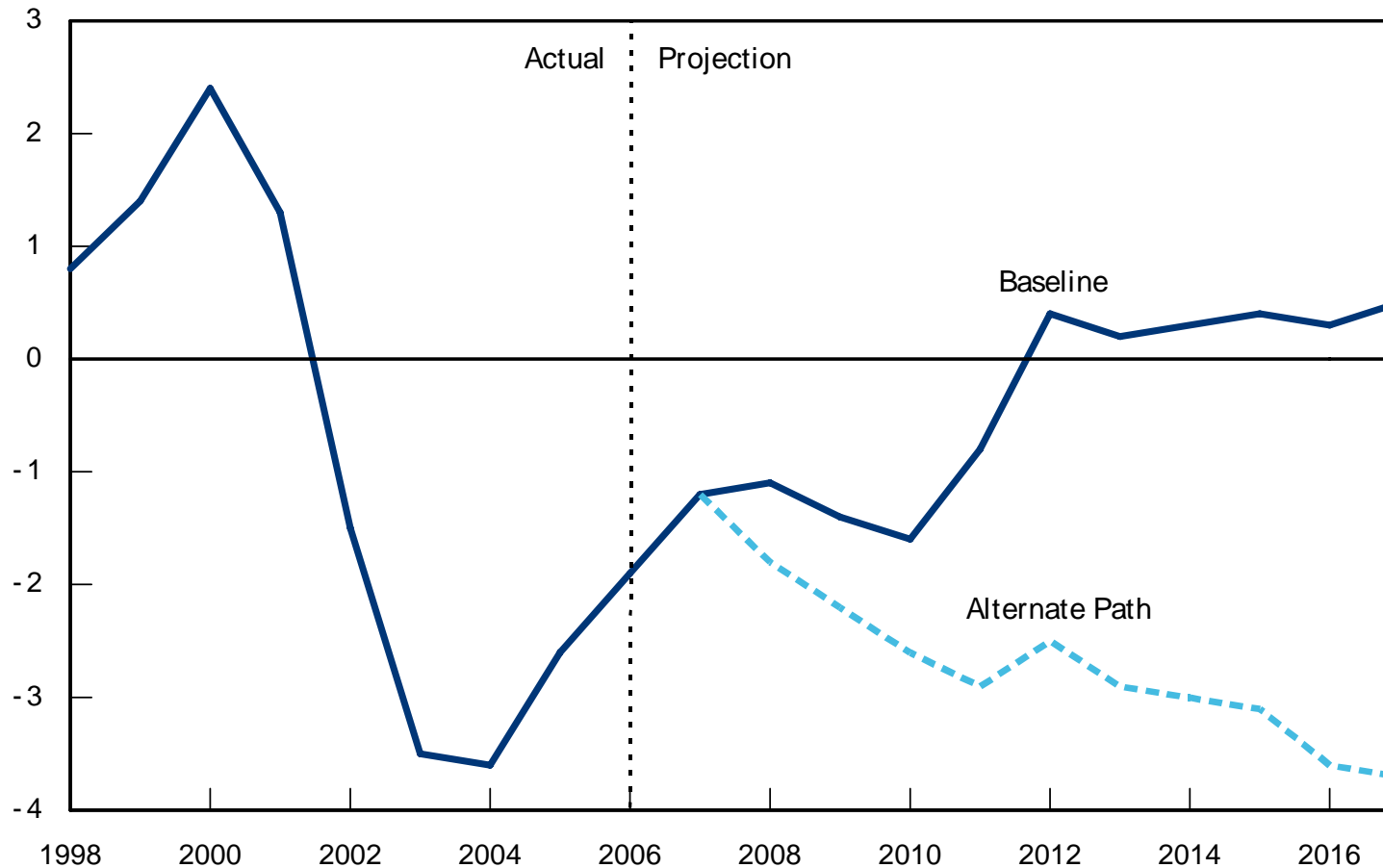


## Total Deficit or Surplus as a Percentage of GDP, 1966 to 2017





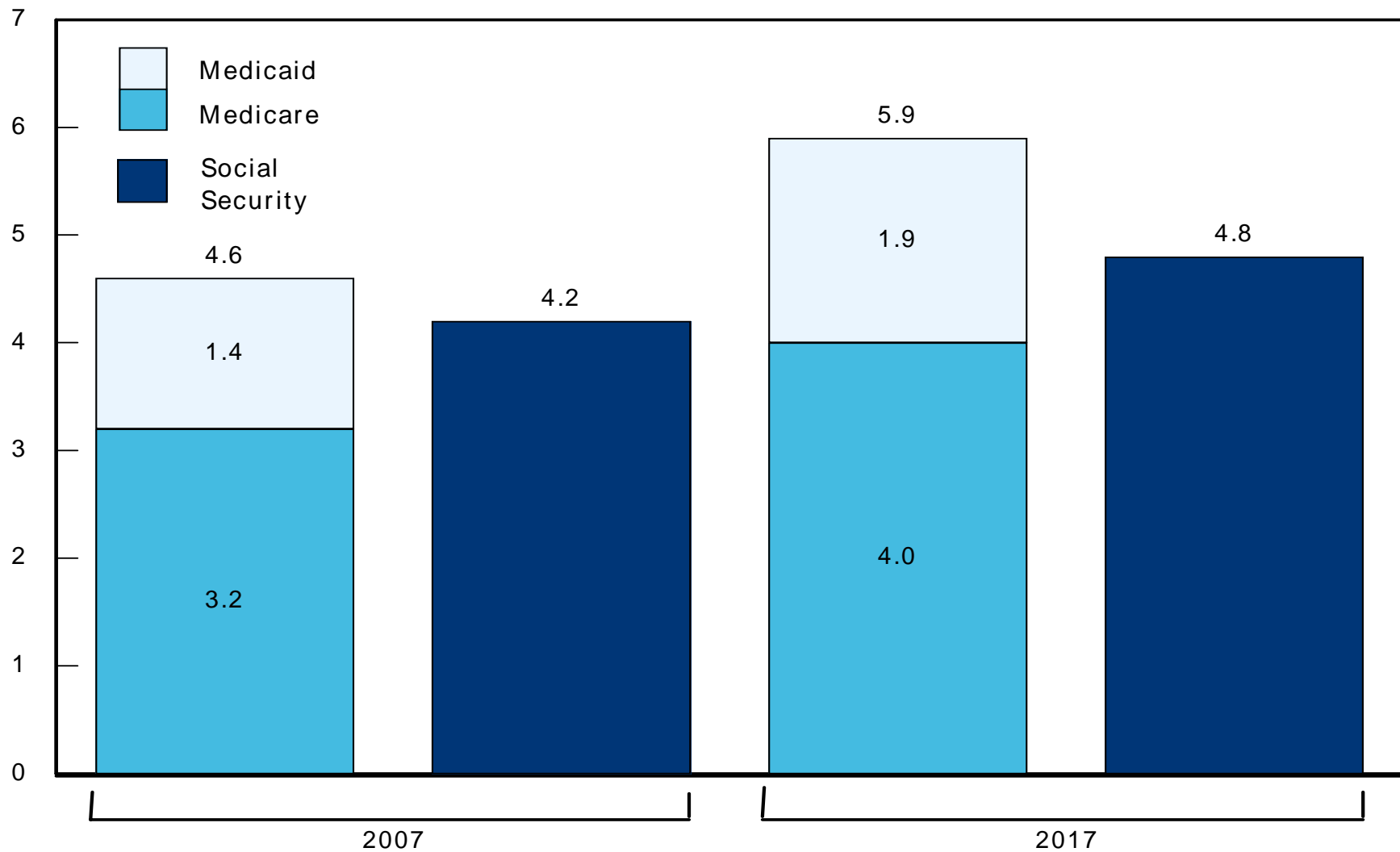
## Projected Deficit or Surplus as a Percentage of GDP in CBO's Baseline and for an Alternate Path



Note: Alternate path extends expiring tax provisions, reduces troops for the war on terrorism to 75,000 by 2013, and has other discretionary spending grow at the rate of nominal GDP.

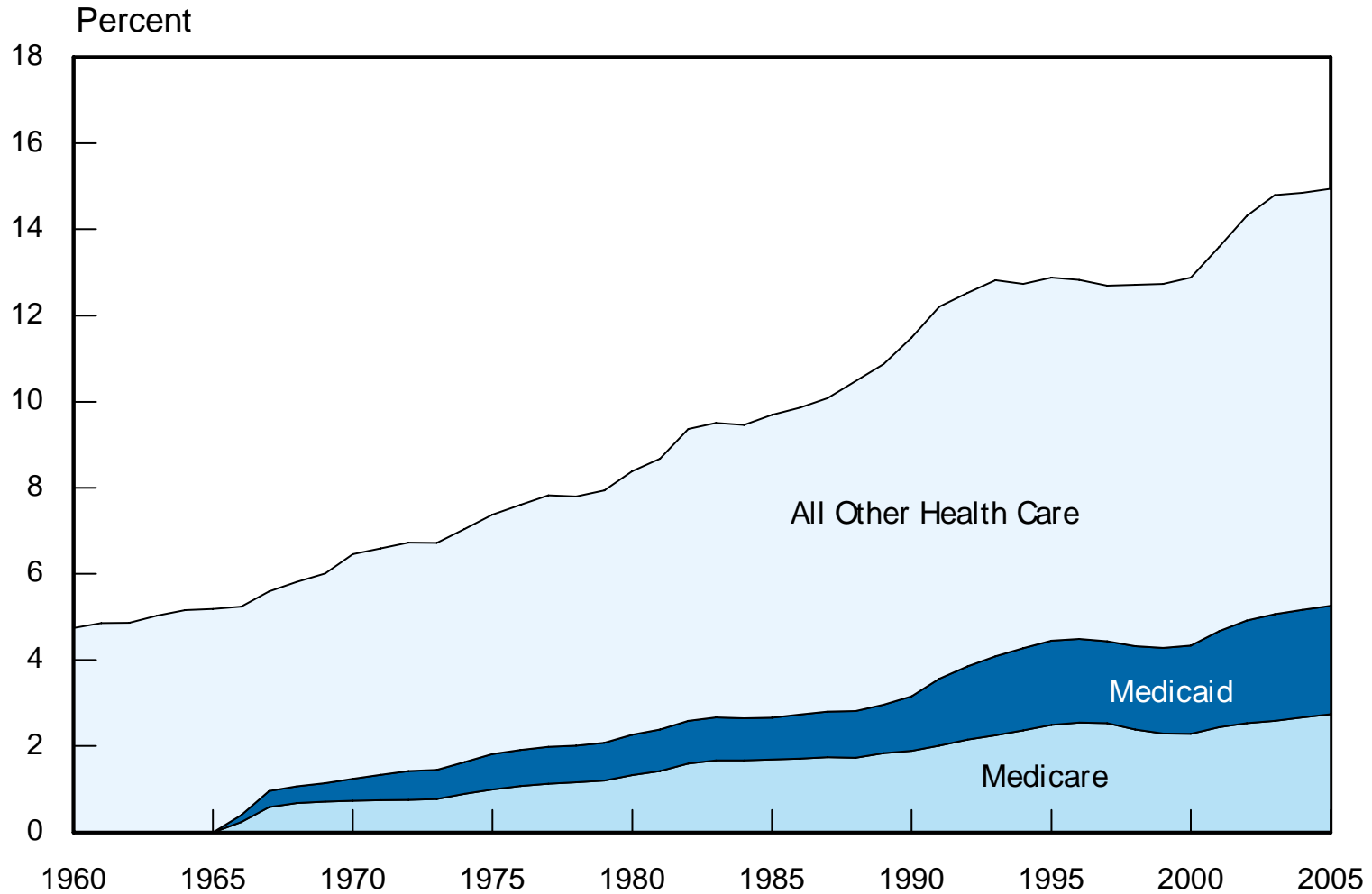


# Spending on Medicare and Medicaid and on Social Security as a Percentage of GDP, 2007 and 2017





# Spending on Health Care as a Percentage of Gross Domestic Product





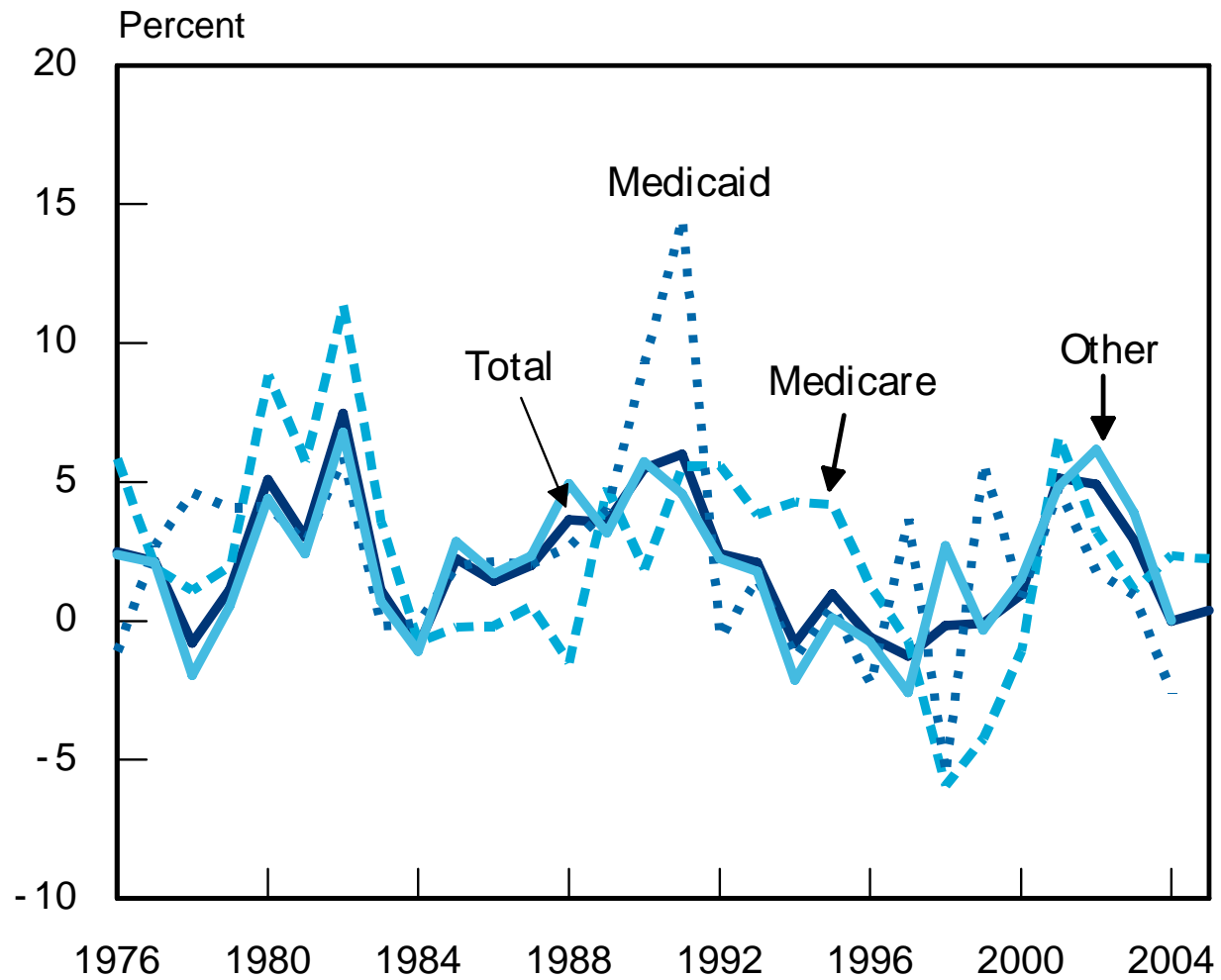
## Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care

Percentage Points

	Medicare	Medicaid	All Other	Total
1975 to 1990	2.9	2.9	2.4	2.6
1990 to 2005	1.8	1.3	1.4	1.5
1975 to 2005	2.4	2.2	2.0	2.1



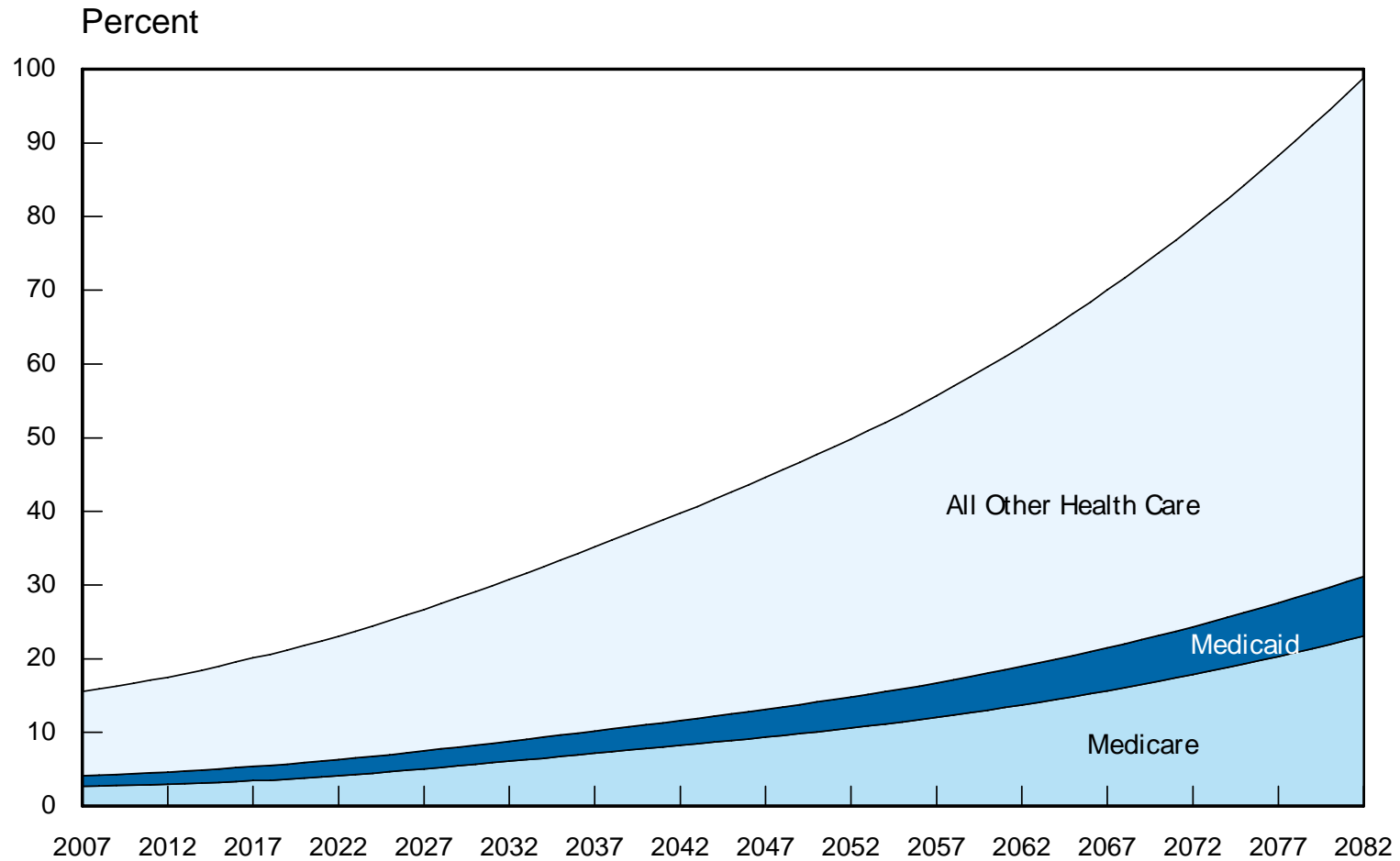
## Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care





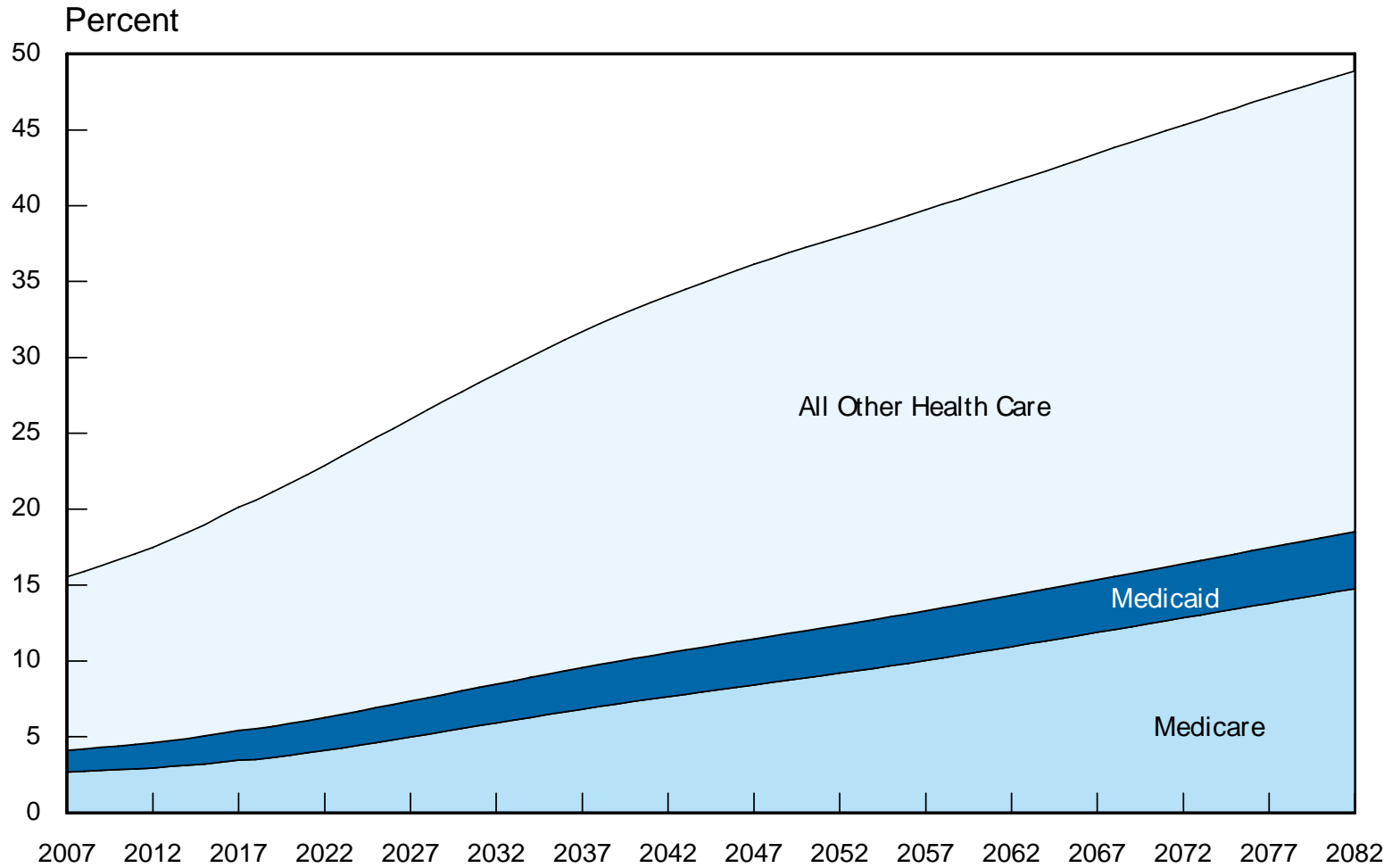


## Spending on Health Care as a Percentage of Gross Domestic Product Under an Assumption That Excess Cost Growth Continues at Historical Averages



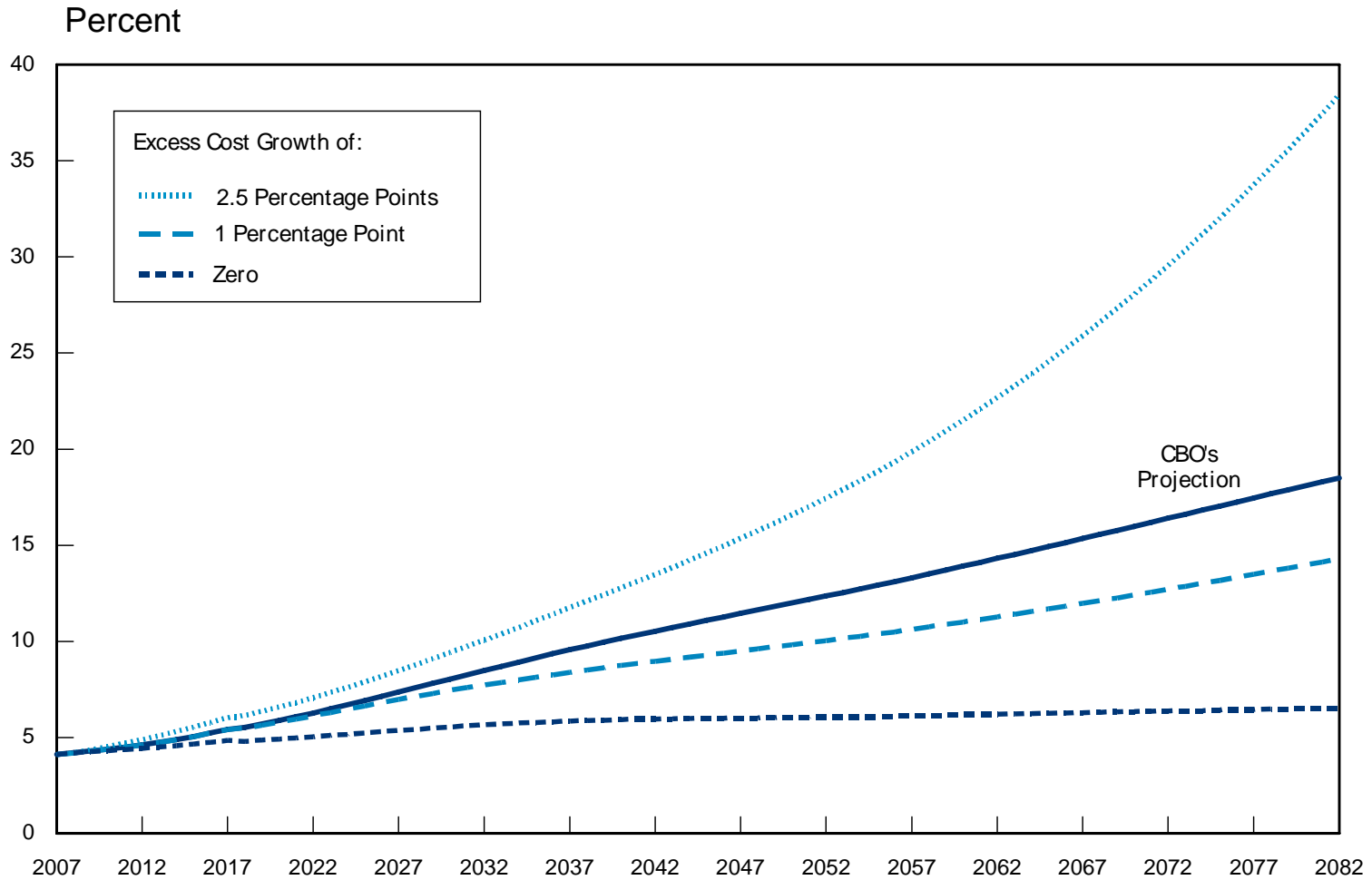


## Projected Spending on Health Care as a Percentage of Gross Domestic Product



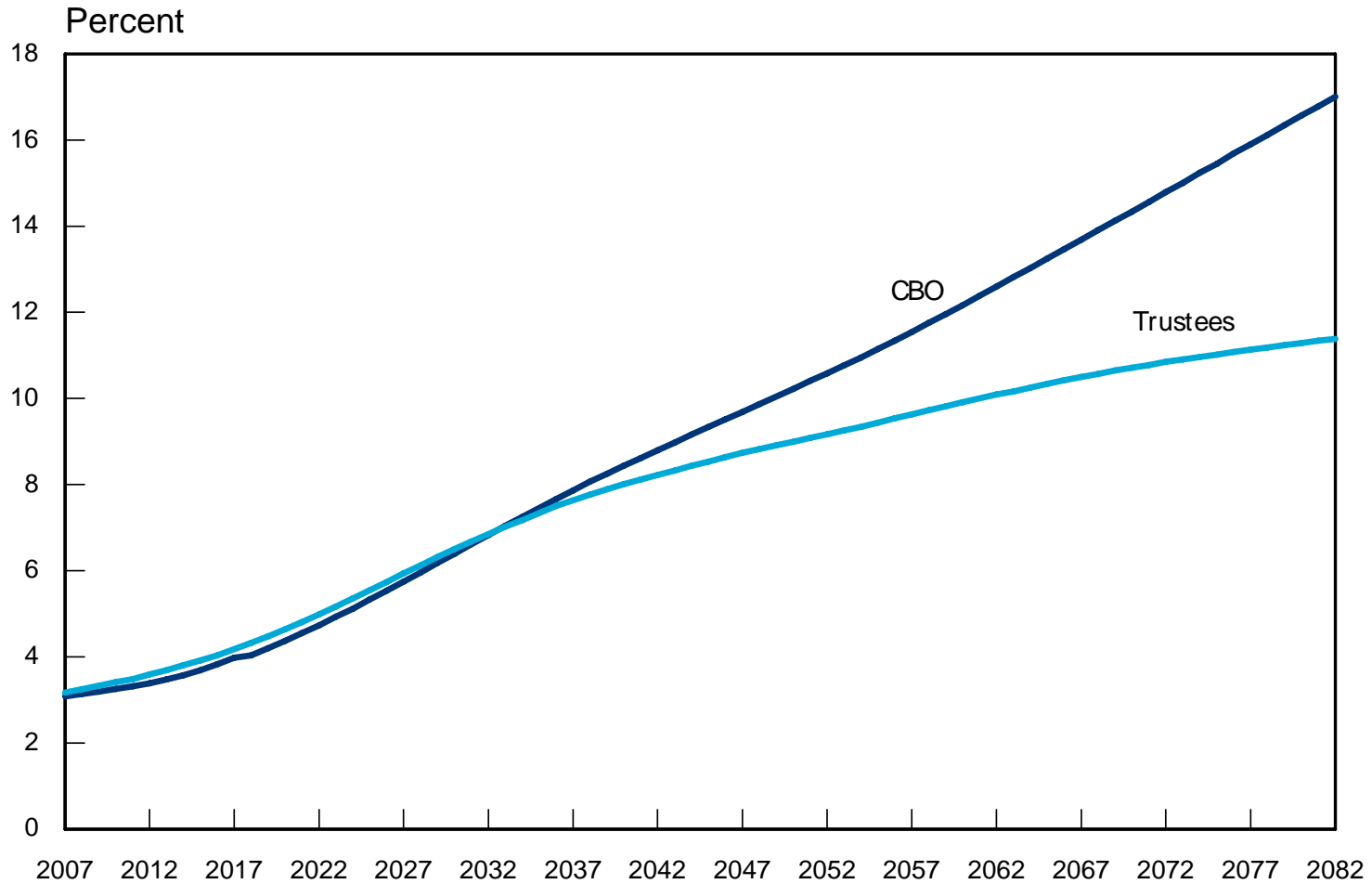


# Federal Spending for Medicare and Medicaid as a Percentage of Gross Domestic Product Under Different Assumptions About Excess Cost Growth



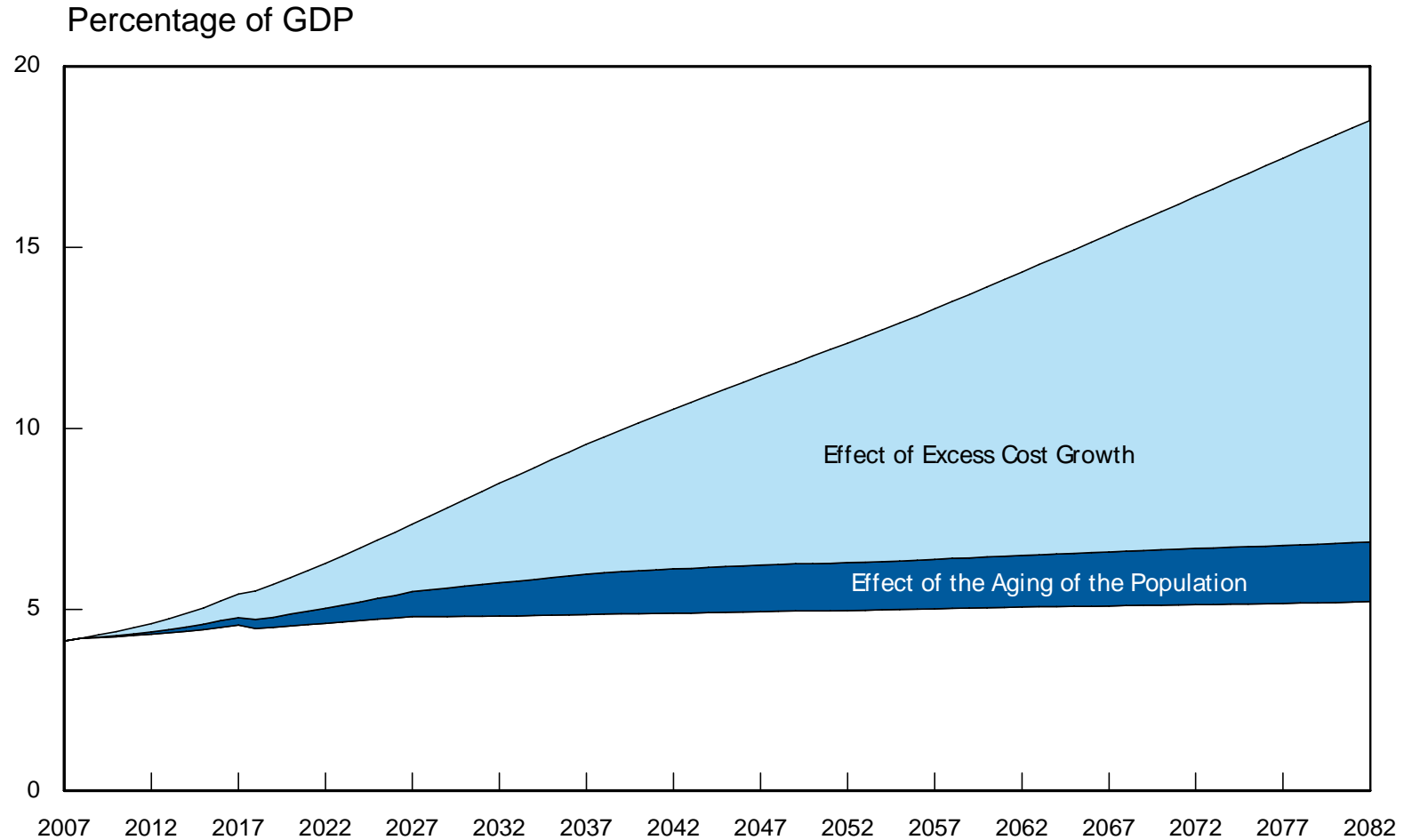


## CBO's and the Trustees' Projections of Spending on Medicare as a Percentage of Gross Domestic Product



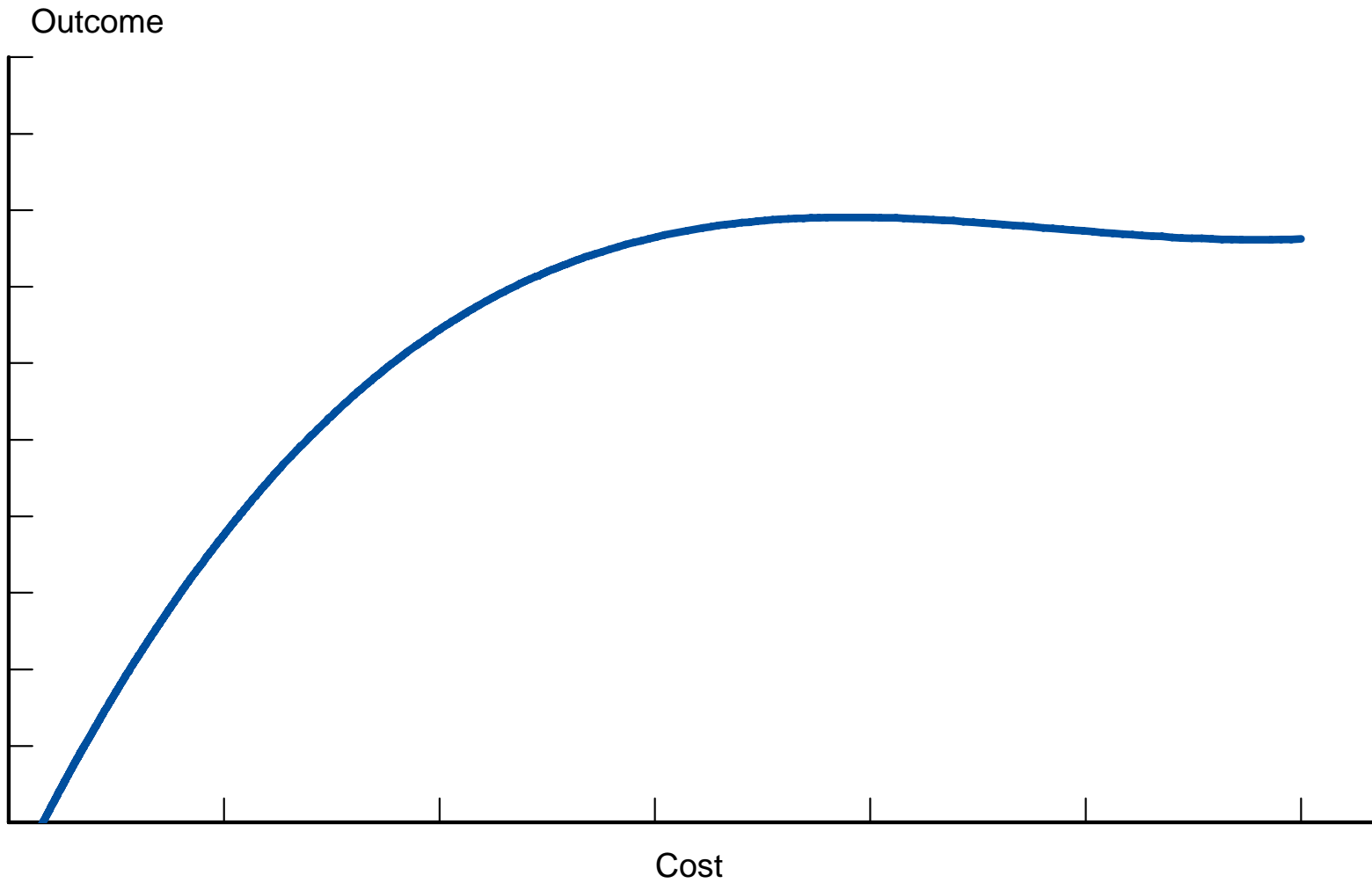


# Sources of Growth in Projected Federal Spending on Medicare and Medicaid



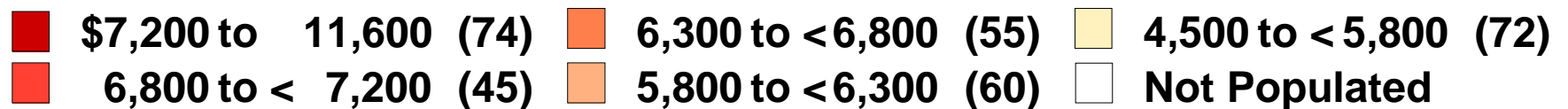
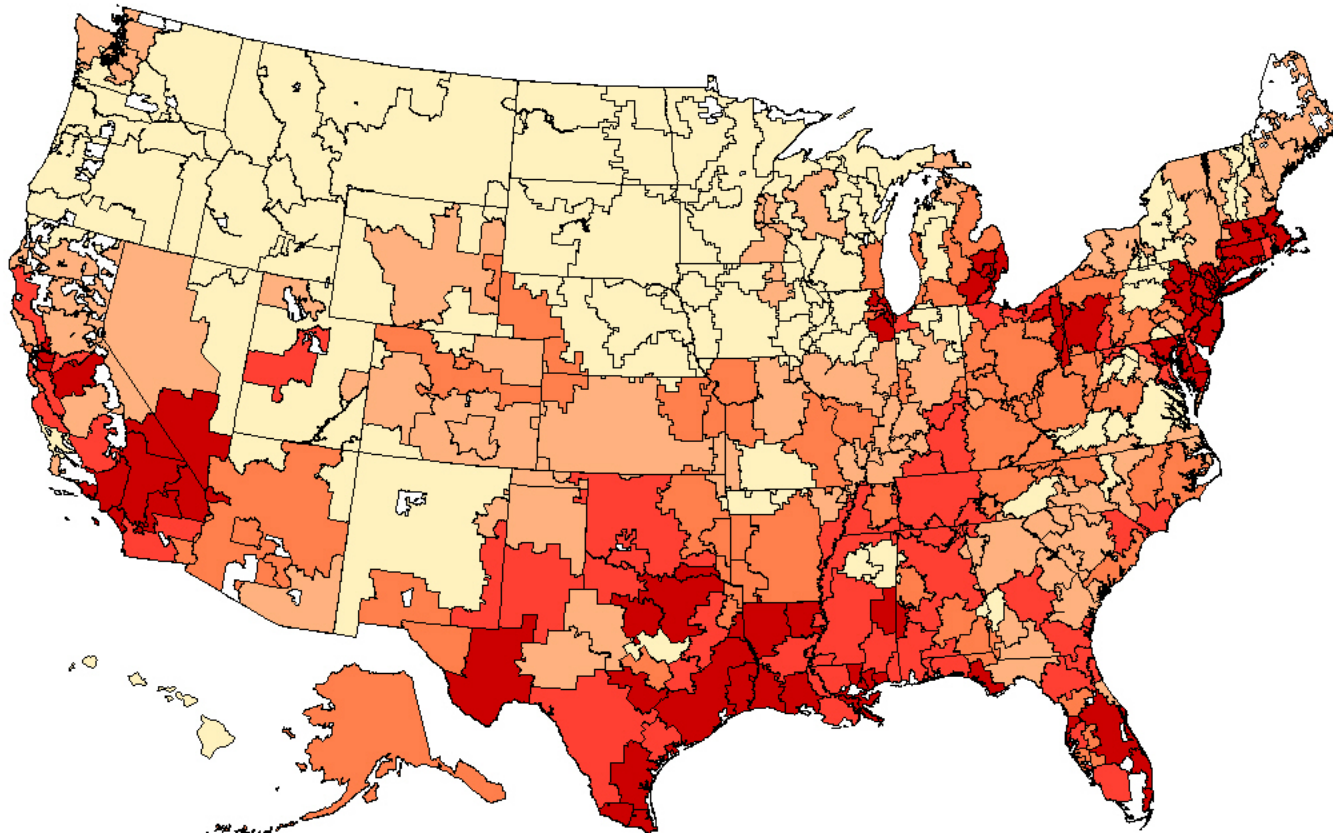


# The Medical Effectiveness Curve





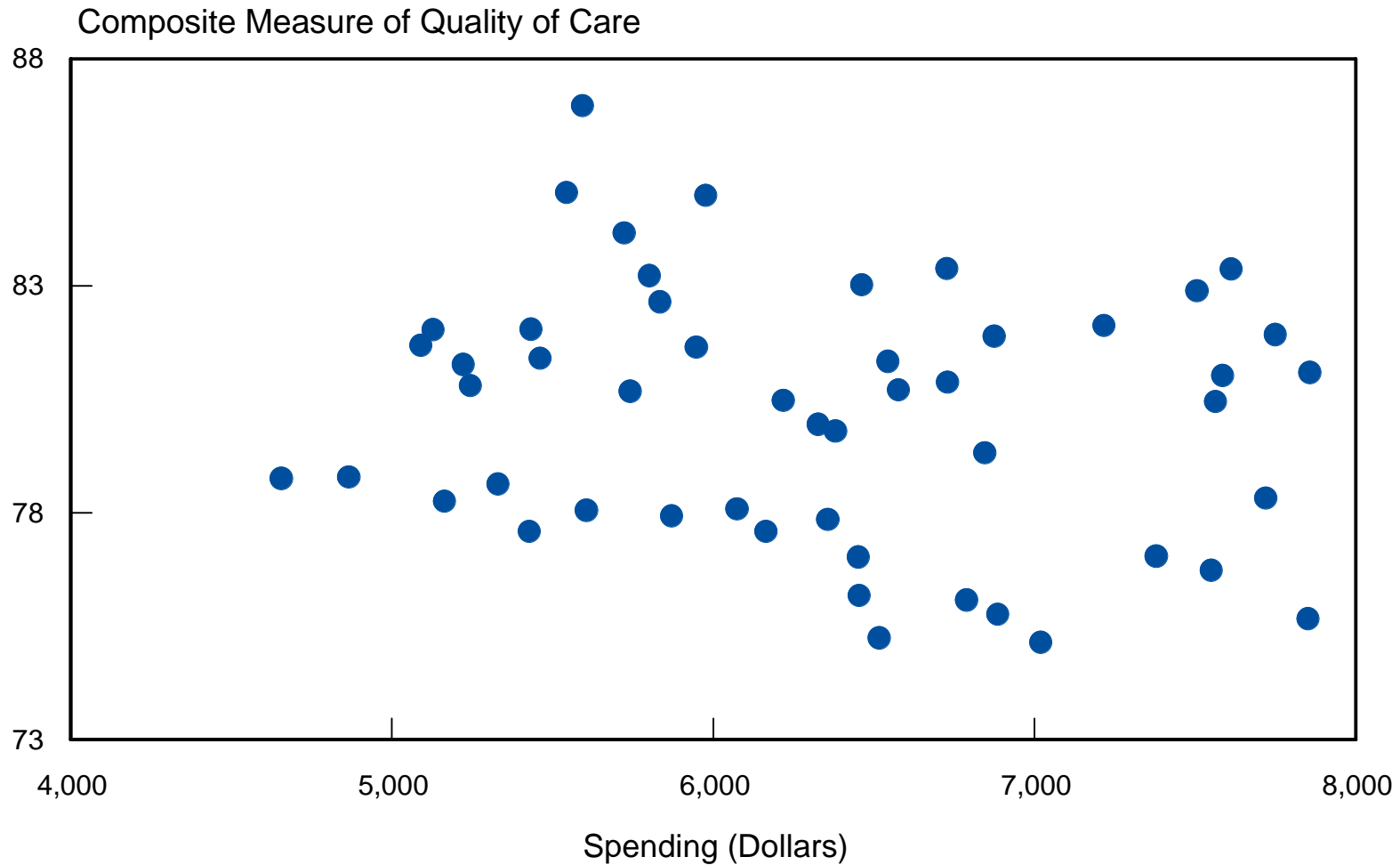
## Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: [www.dartmouthatlas.org](http://www.dartmouthatlas.org).



# The Relationship Between Quality and Medicare Spending, by State, 2004

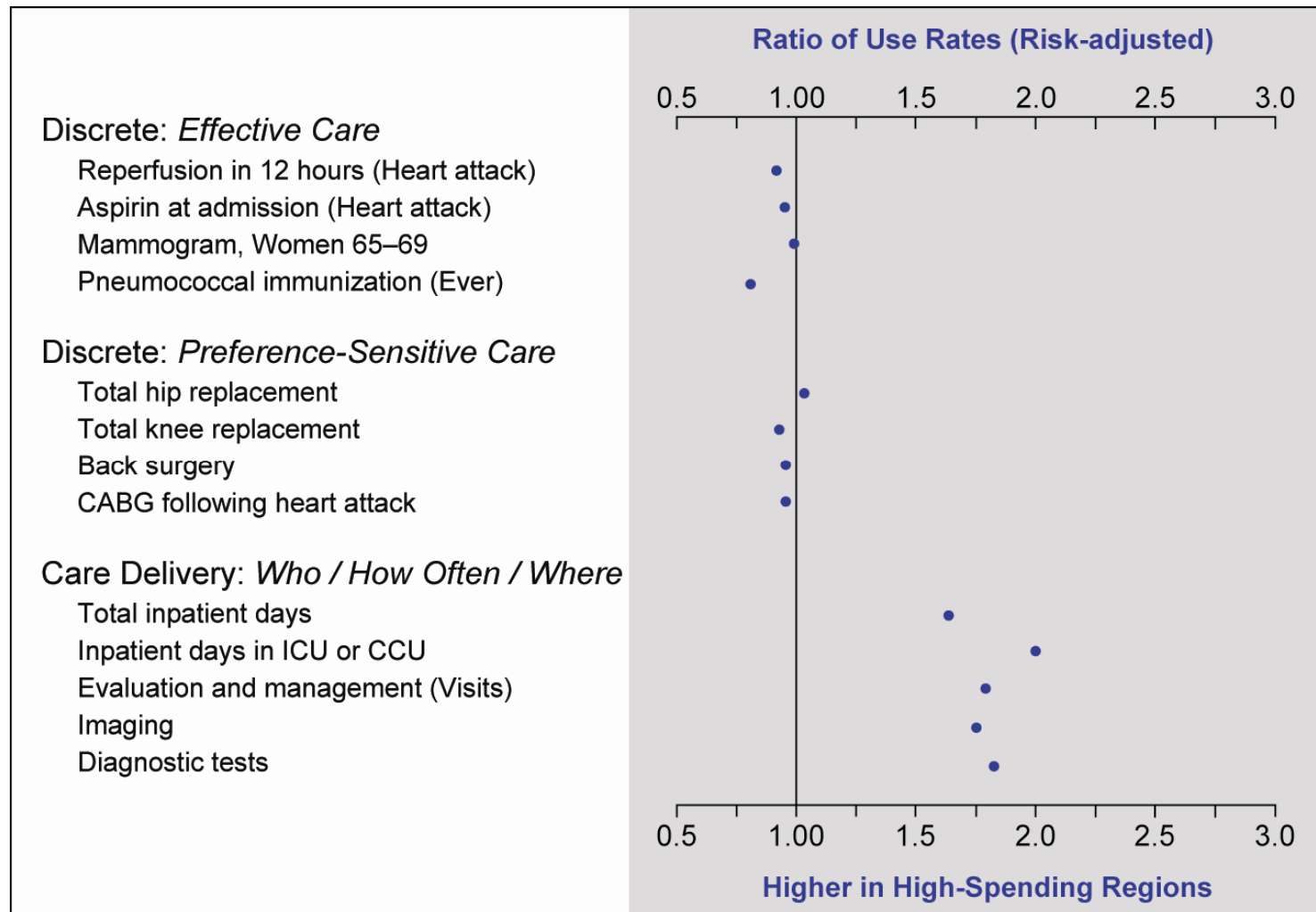


Source: Data from AHRQ and CMS.





# What Additional Services Are Provided in High-Spending Regions?



Source: Elliot Fisher, Dartmouth Medical School.



## Variations Among Academic Medical Centers

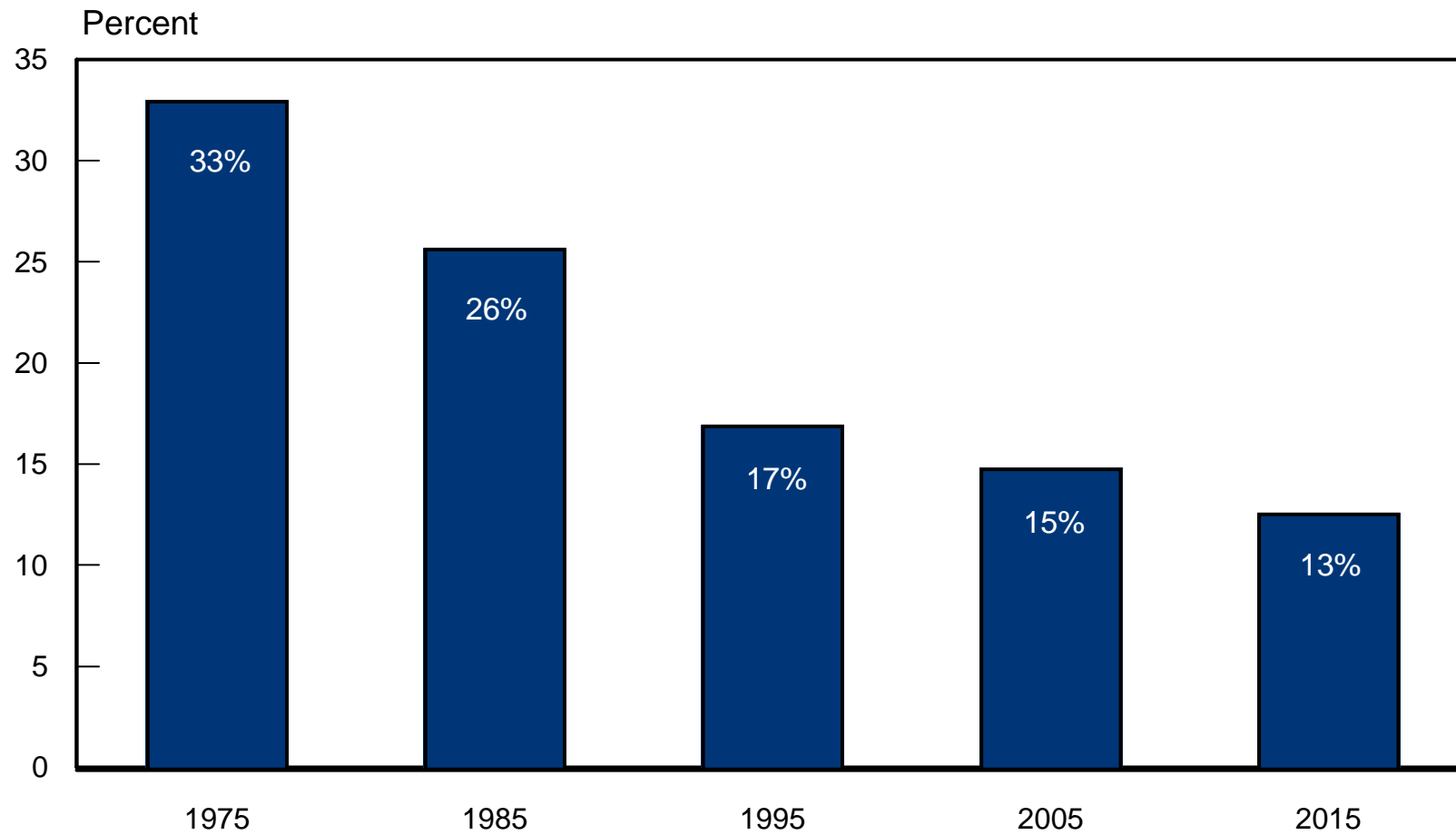
*Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report's "Honor Roll" AMCs*

	UCLA Medical Center	Massachusetts General Hospital	Mayo Clinic (St. Mary's Hospital)
<b>Biologically Targeted Interventions: Acute Inpatient Care</b>			
CMS composite quality score	81.5	85.9	90.4
<b>Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life</b>			
Total Medicare spending	50,522	40,181	26,330
Hospital days	19.2	17.7	12.9
Physician visits	52.1	42.2	23.9
Ratio, medical specialist / primary care	2.9	1.0	1.1

Source: Elliot Fisher, Dartmouth Medical School.

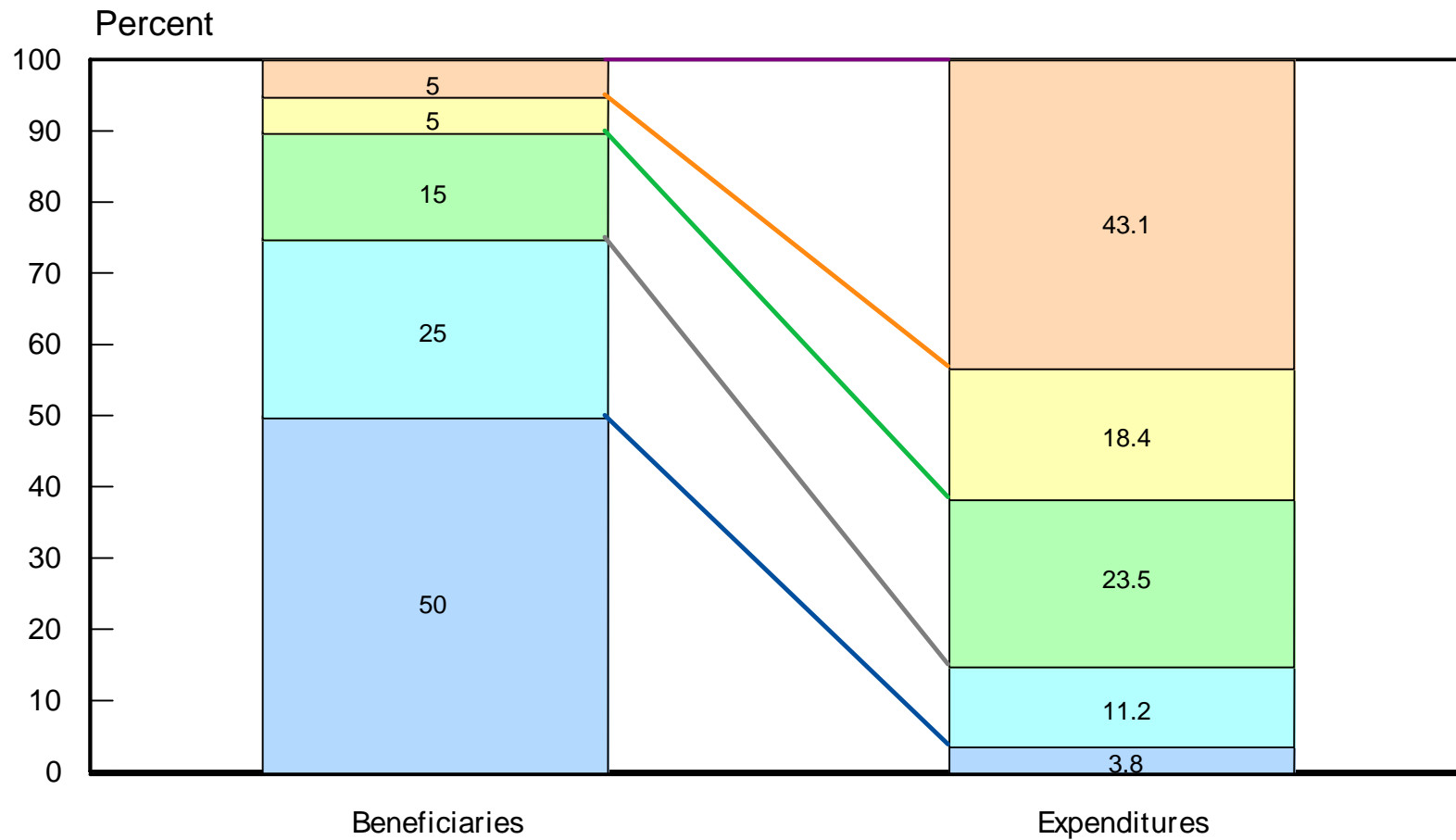


## Share of Personal Health Care Expenditures Paid Out of Pocket





## Concentration of Total Annual Medicare Expenditures Among Beneficiaries, 2001



Source: CBO based on data from CMS.