



**Congressional Budget Office**

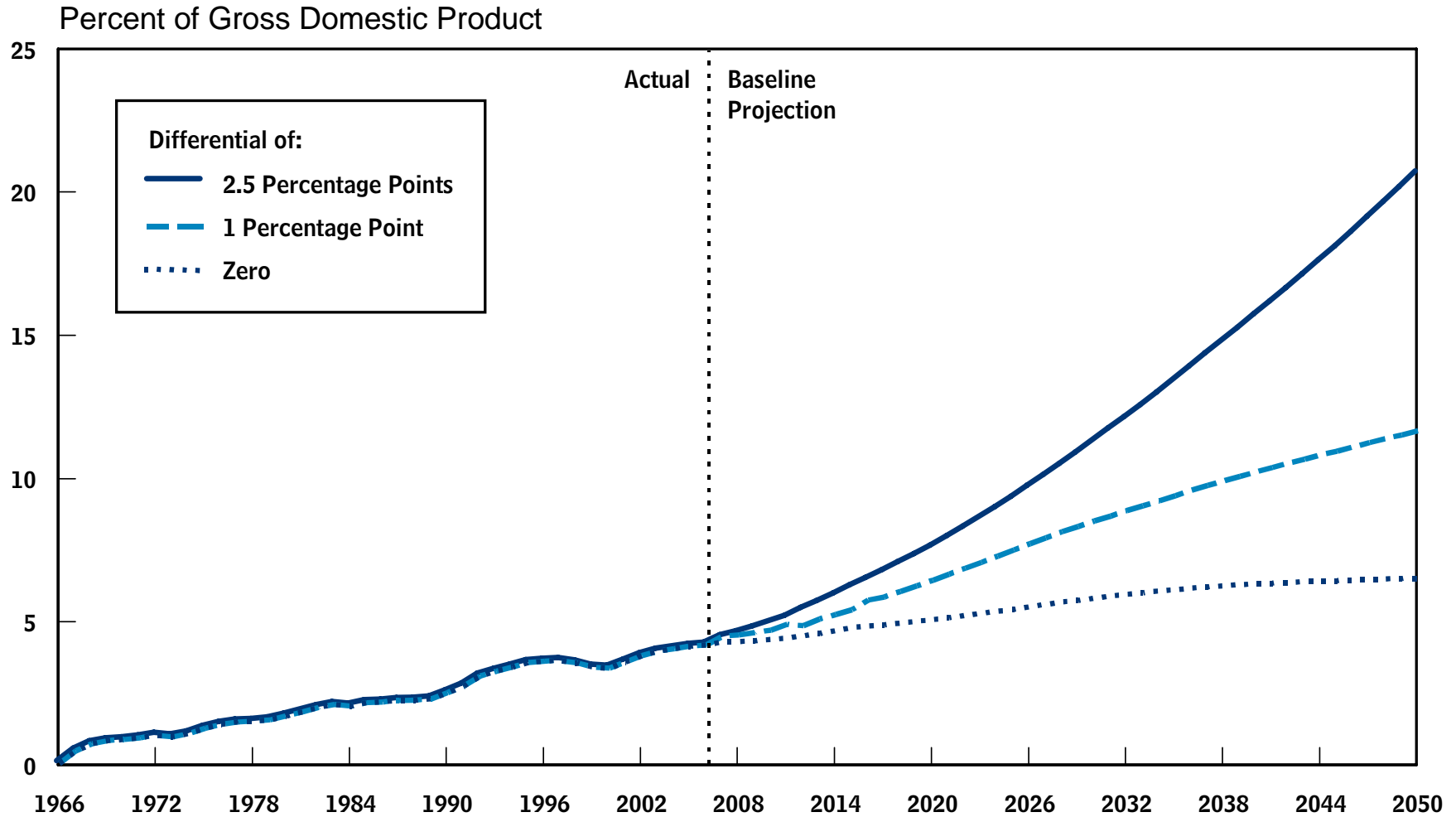
# **Health Care Issues and Challenges for Reform**

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Director**

**July 2007**

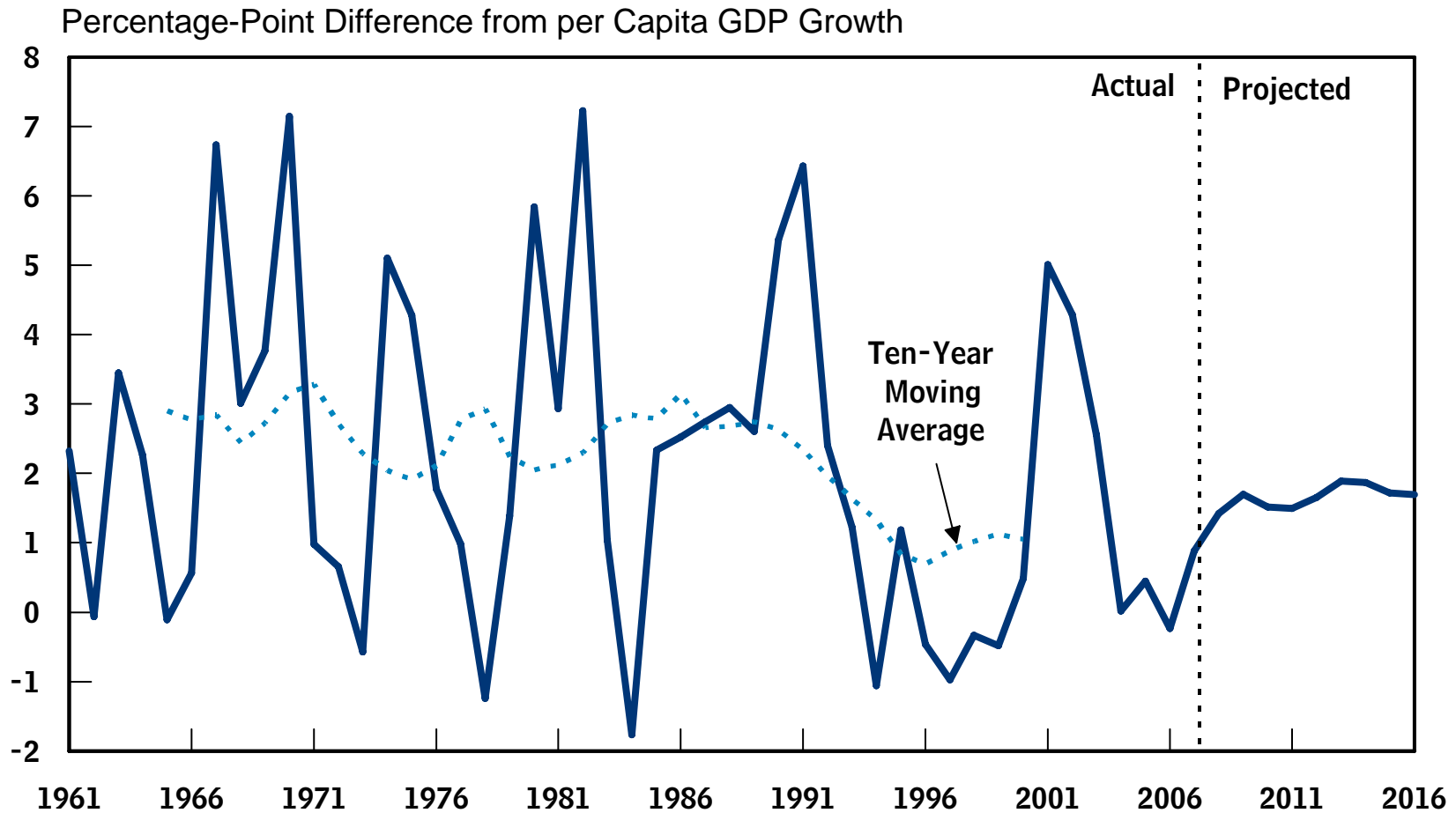


## Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential





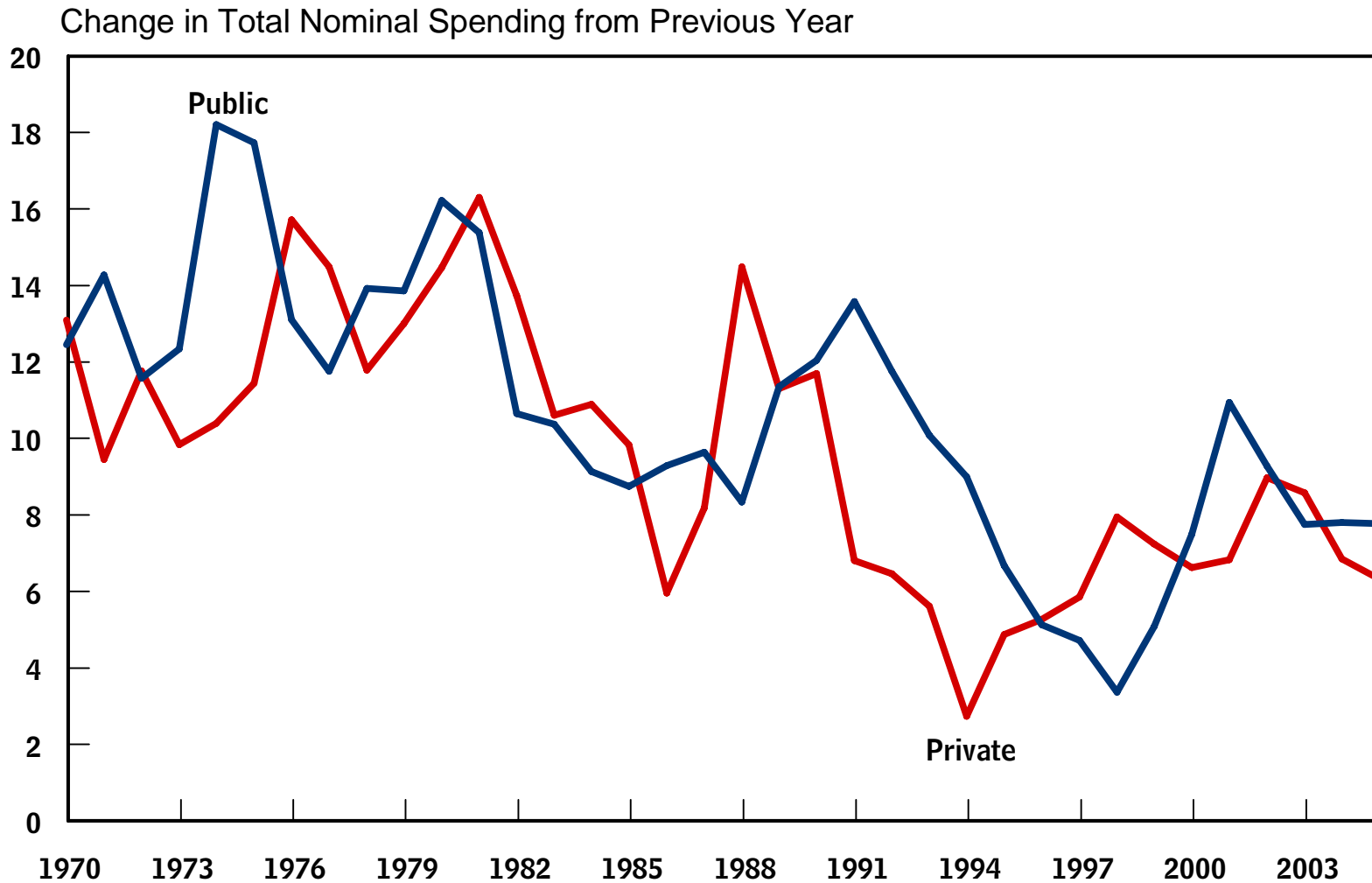
# Excess Cost Growth in National Health Expenditures



Source: Based on data and projections from CMS.



## Annual Growth Rates of Private and Public Health Care Spending

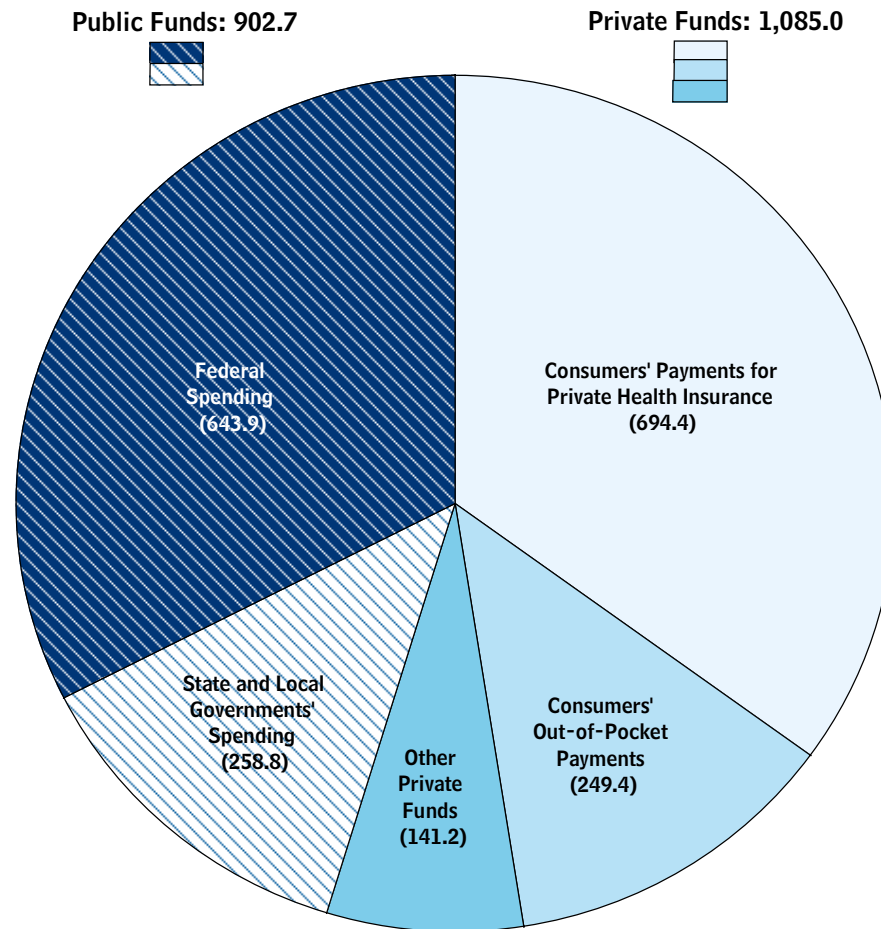


Source: CMS's data on national health expenditures.



# National Health Expenditures, by Source of Funds, 2005

Billions of Dollars

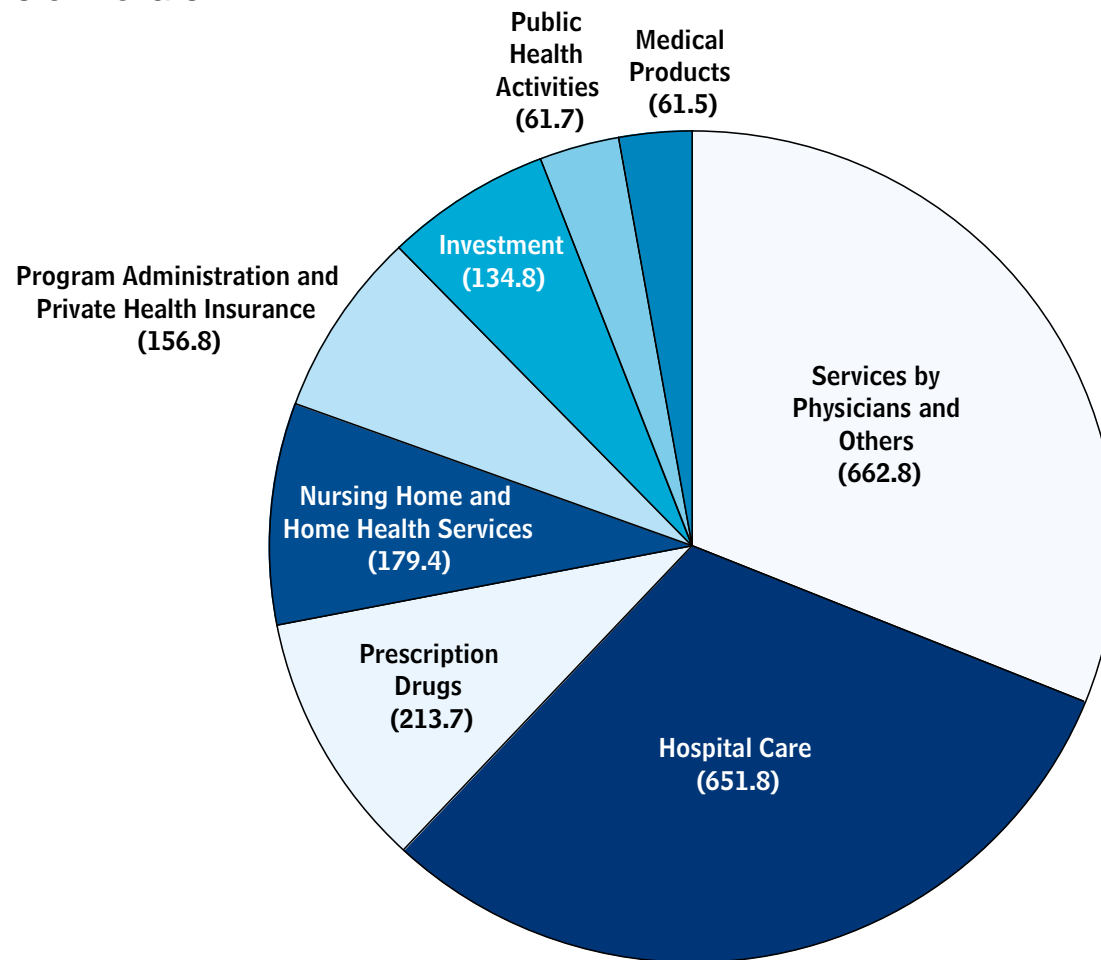


Source: Data from CMS.



# National Health Expenditures, 2006

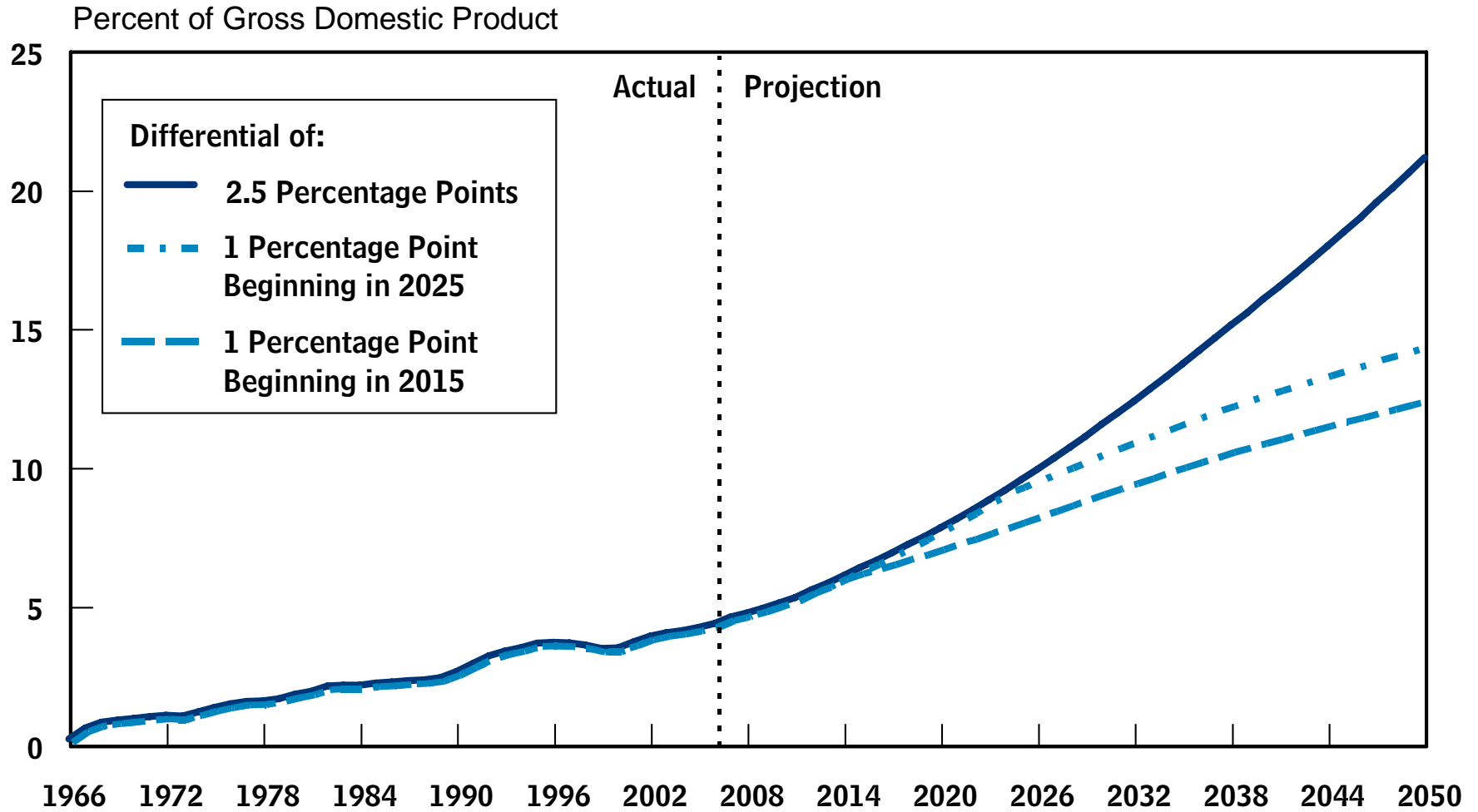
Billions of Dollars



Source: Data from CMS and the Department of Commerce.

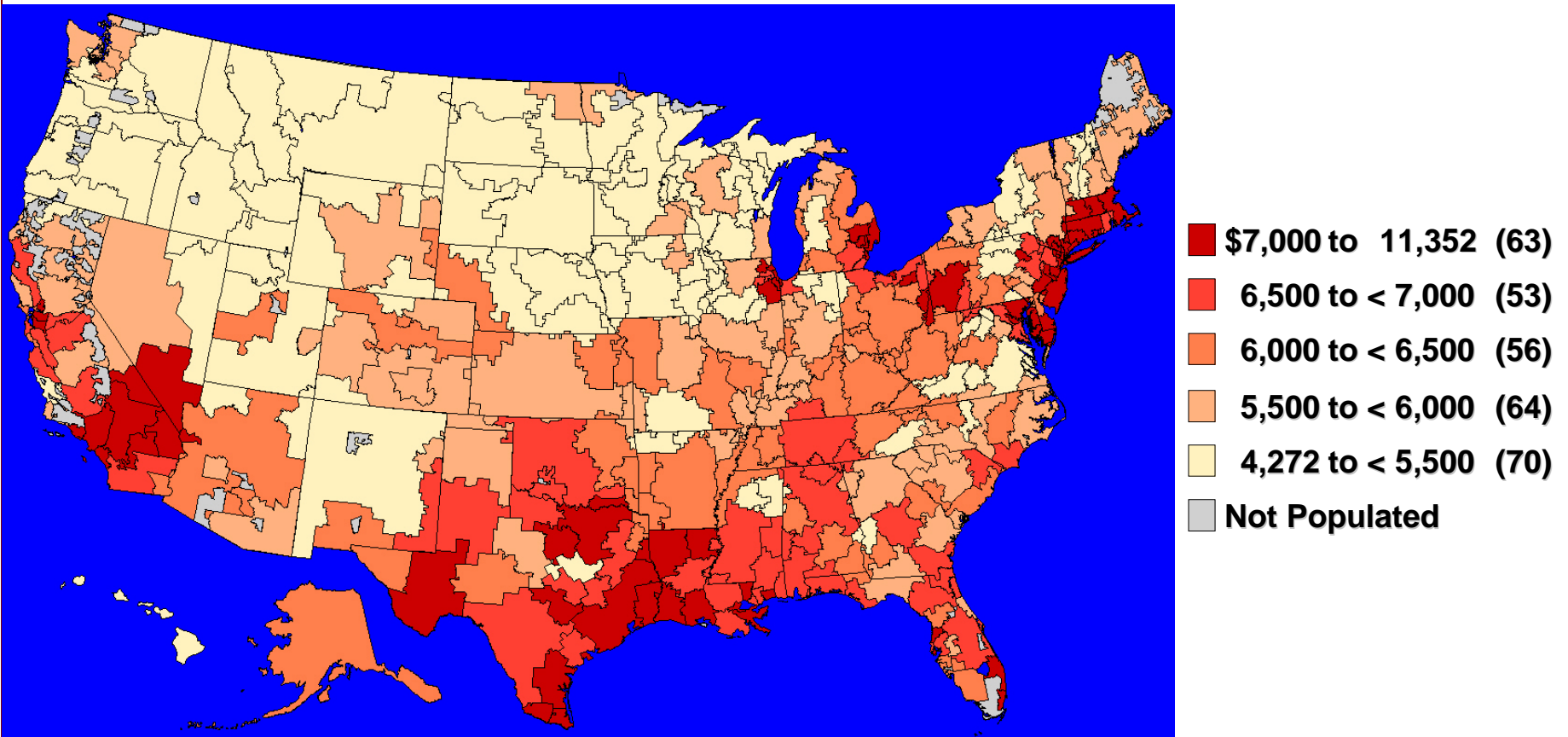


# Effects of Slowing the Growth of Spending for Medicare and Medicaid





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

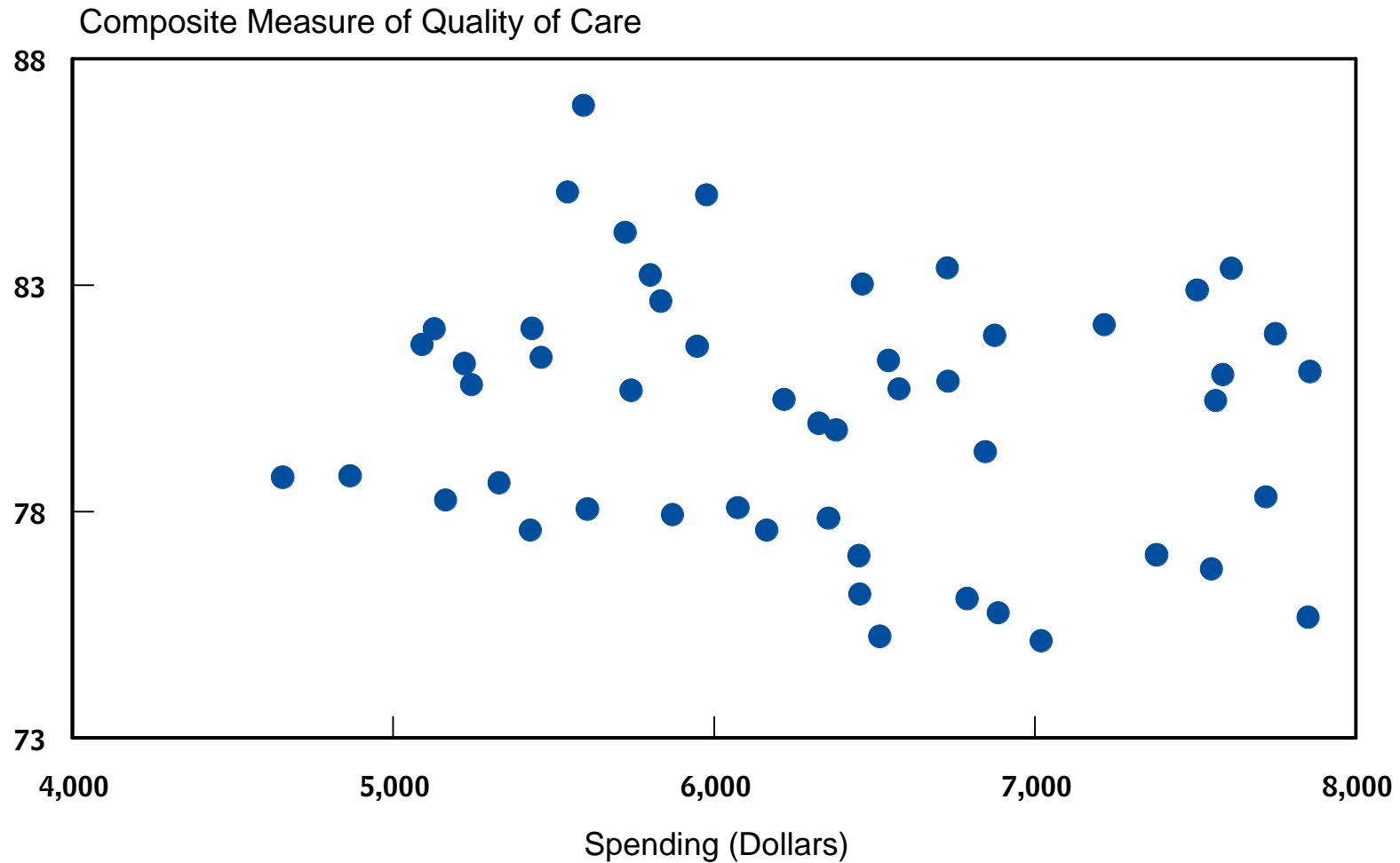


Source: [www.dartmouthatlas.org](http://www.dartmouthatlas.org)





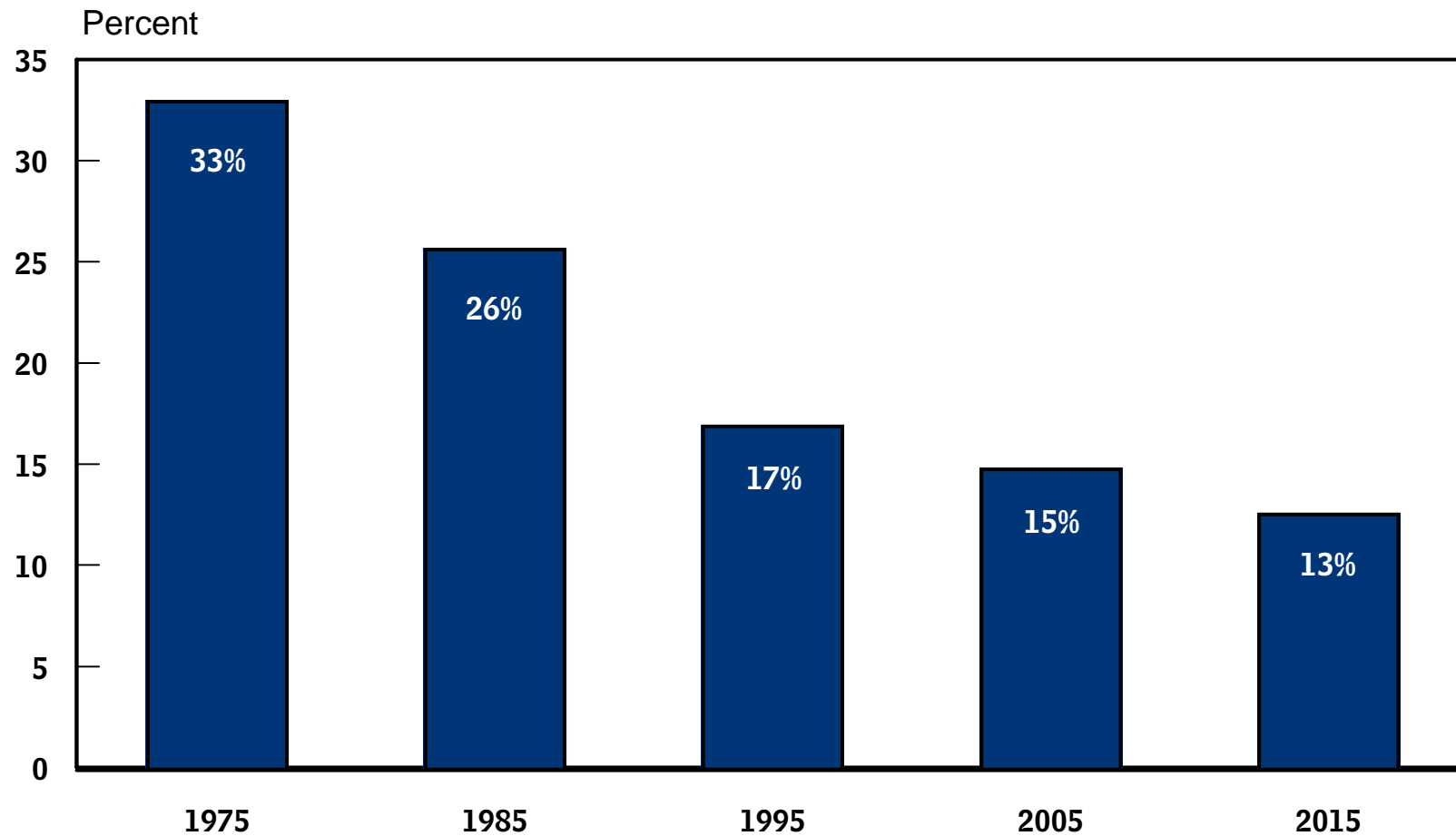
## The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.



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



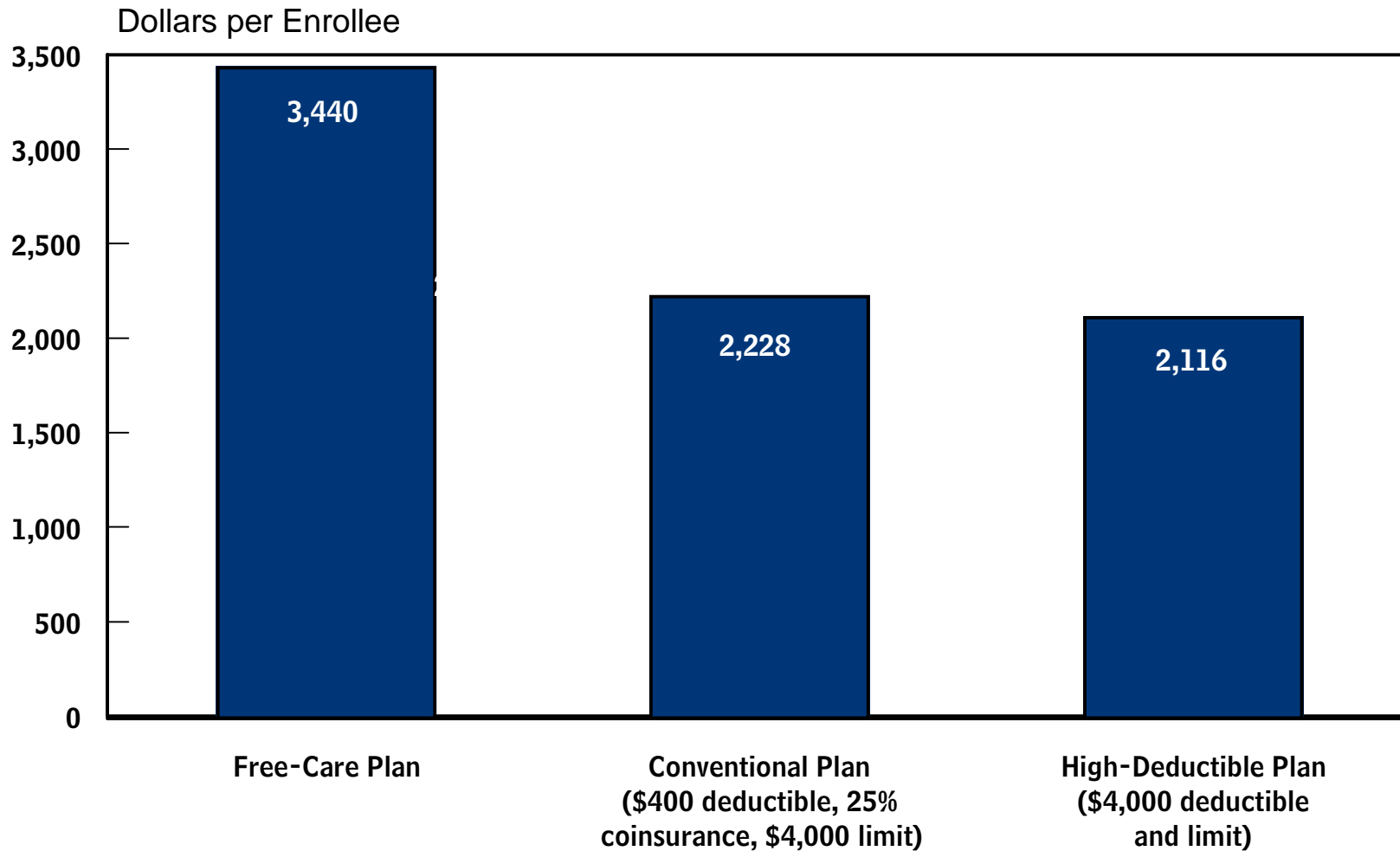


## RAND's Experiment on Health Insurance

- Compared spending and health under various insurance designs
- Found that initial cost sharing could have substantial effects on total spending
- Cost sharing reduced both effective and ineffective care about equally
- Design of plan had no impact on health for most enrollees; some benefit of free care for low-income enrollees in the poorest health



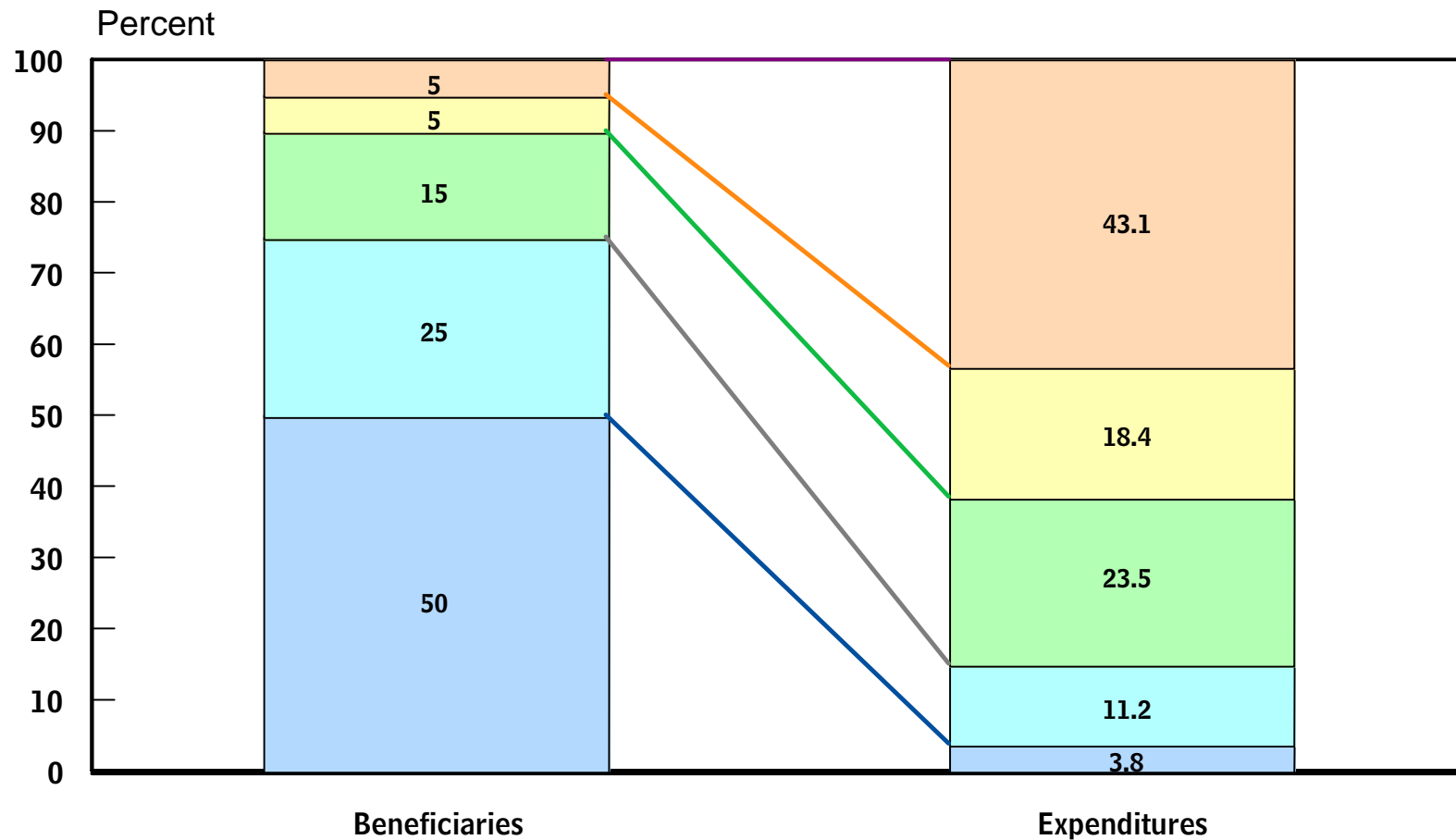
## Effects of Cost Sharing



Source: Based on data from RAND's health insurance experiment.



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



Source: CBO based on data from CMS.