



Congressional Budget Office

Presentation for the

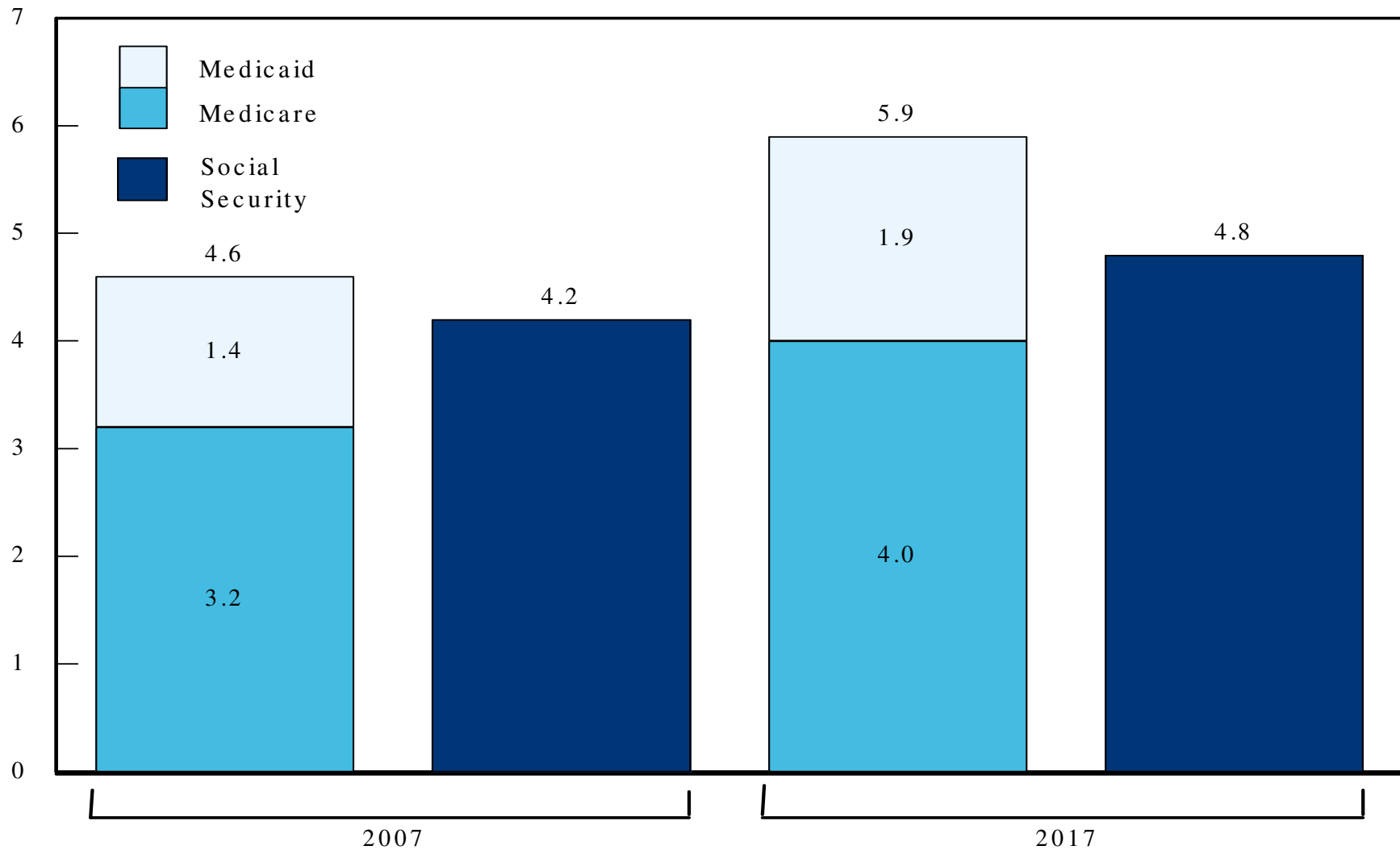
**Institute of Medicine's
2007 Annual Meeting**

**Peter R. Orszag
Director**

October 8, 2007

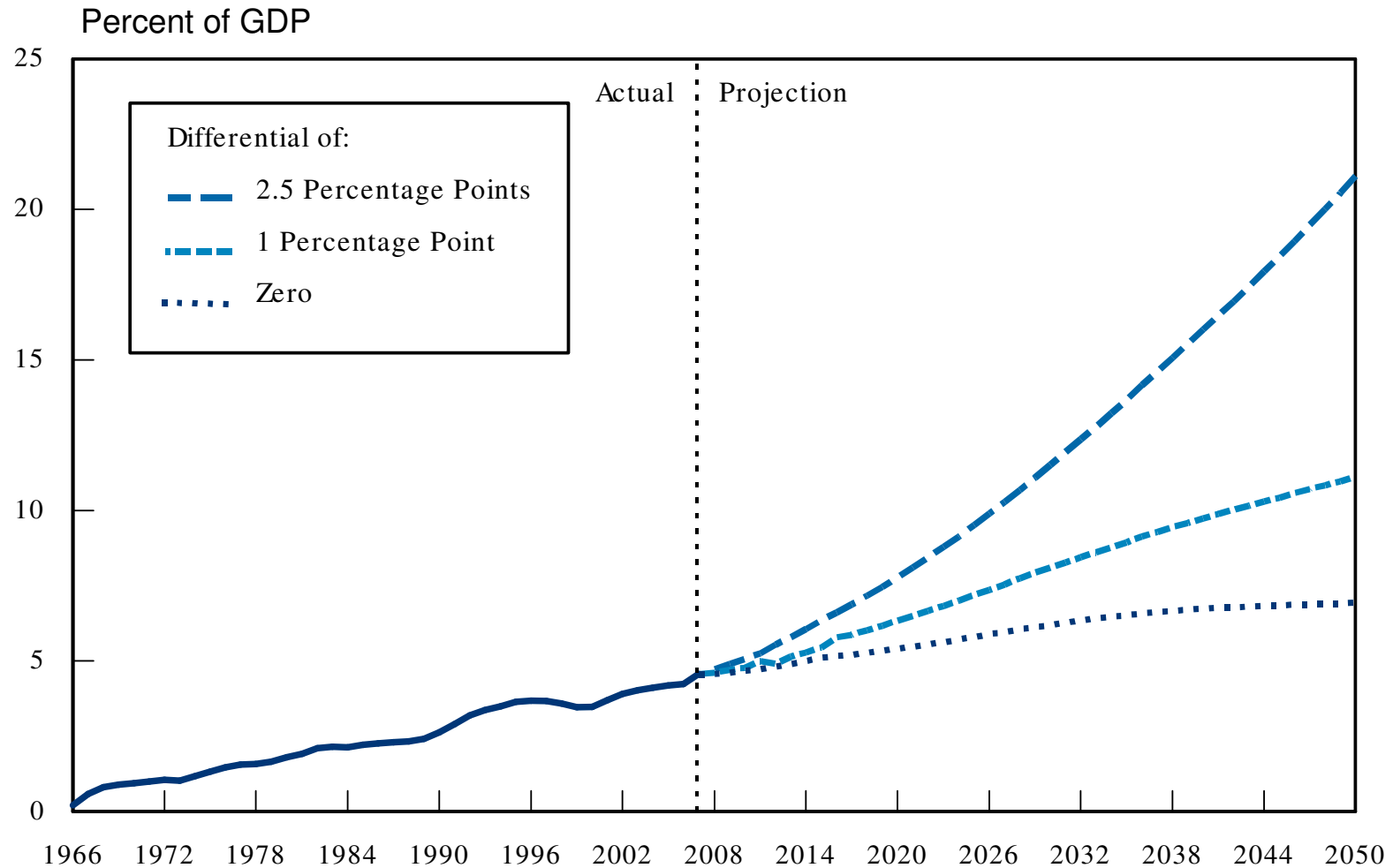


Spending on Medicare and Medicaid and on Social Security as a Percentage of GDP, 2007 and 2017



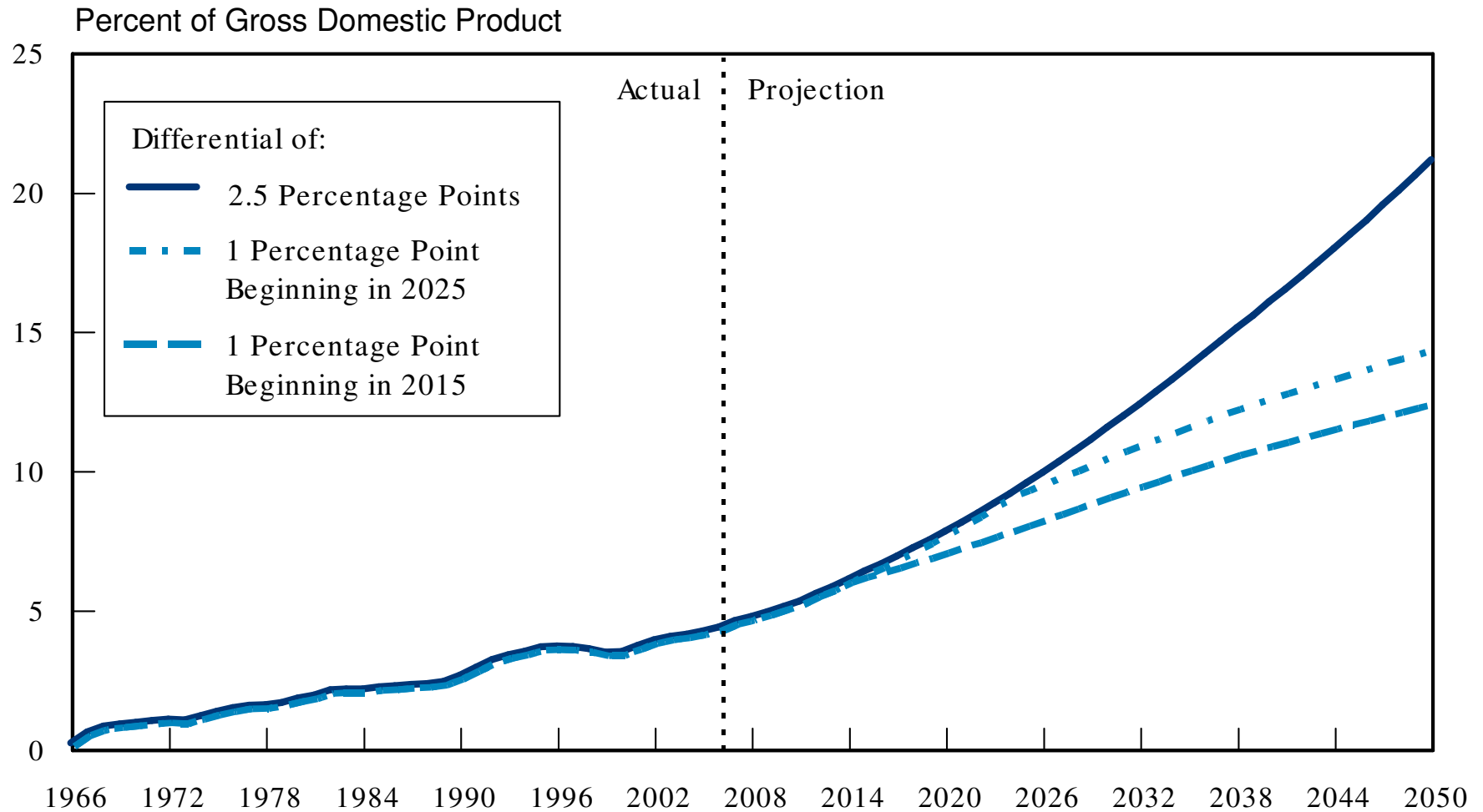


Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential



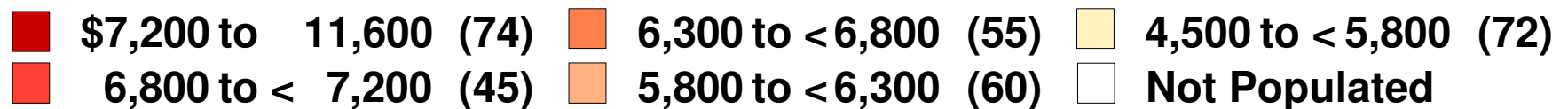
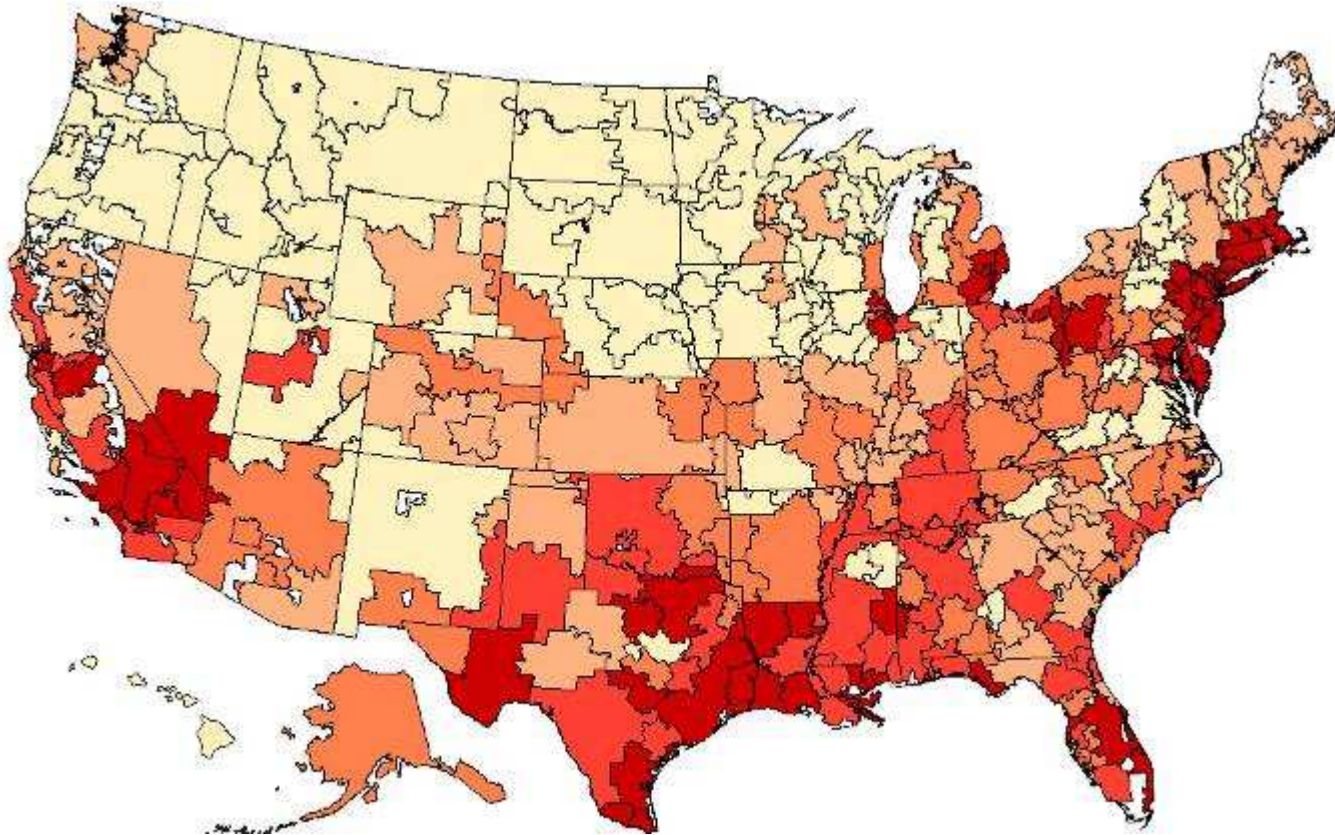


Effects of Slowing the Growth of Spending for Medicare and Medicaid





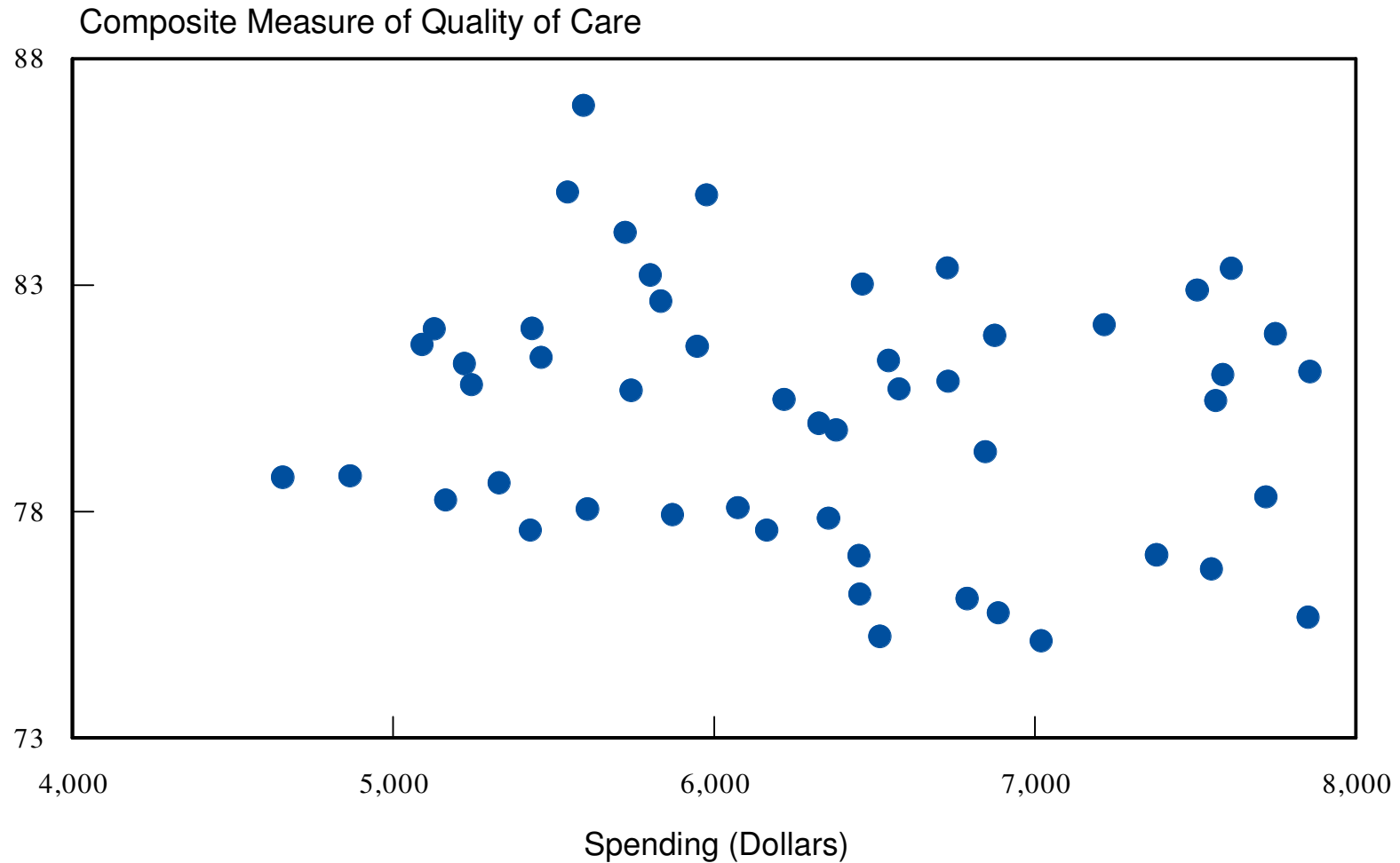
Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: www.dartmouthatlas.org.



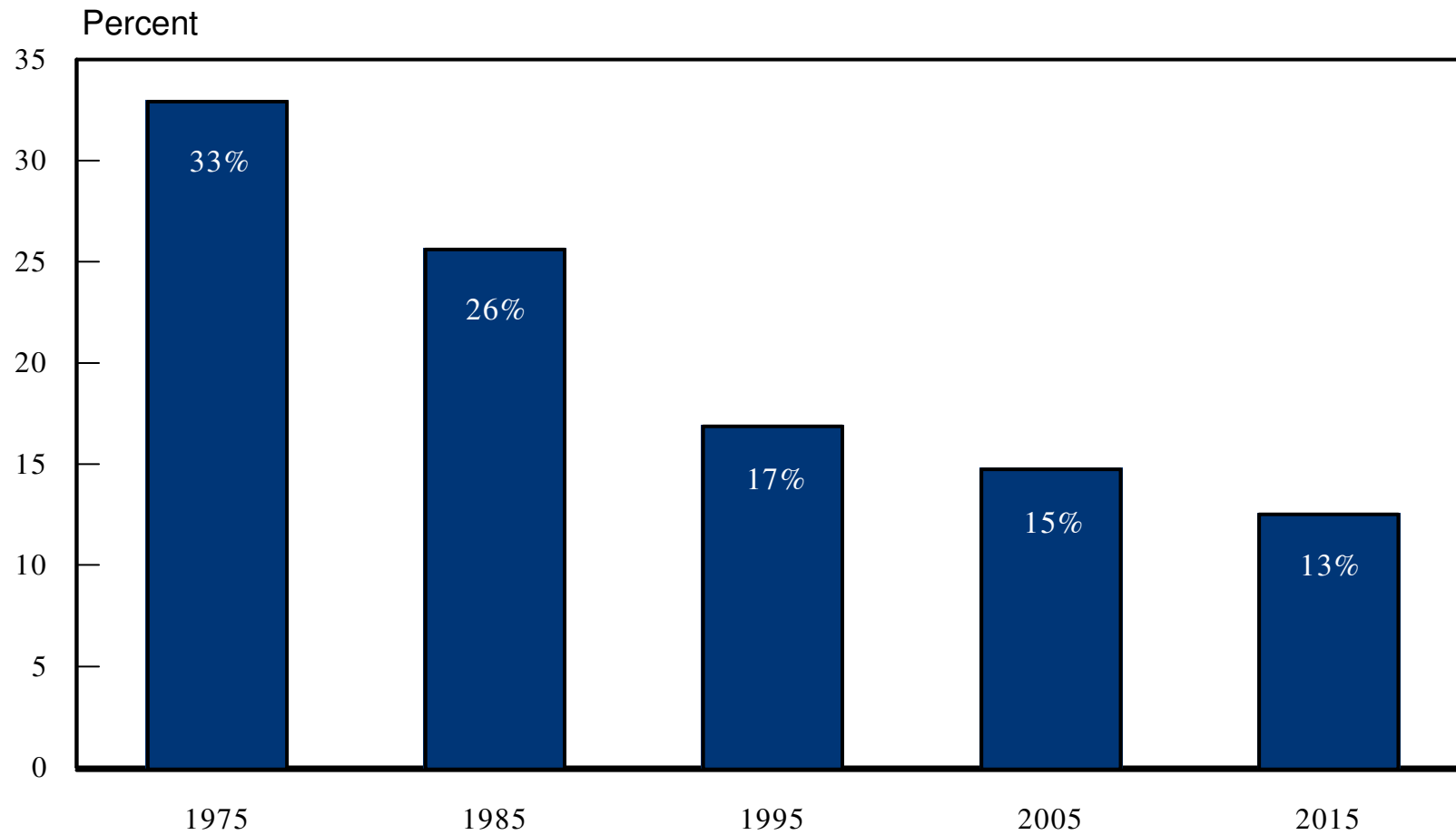
The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.

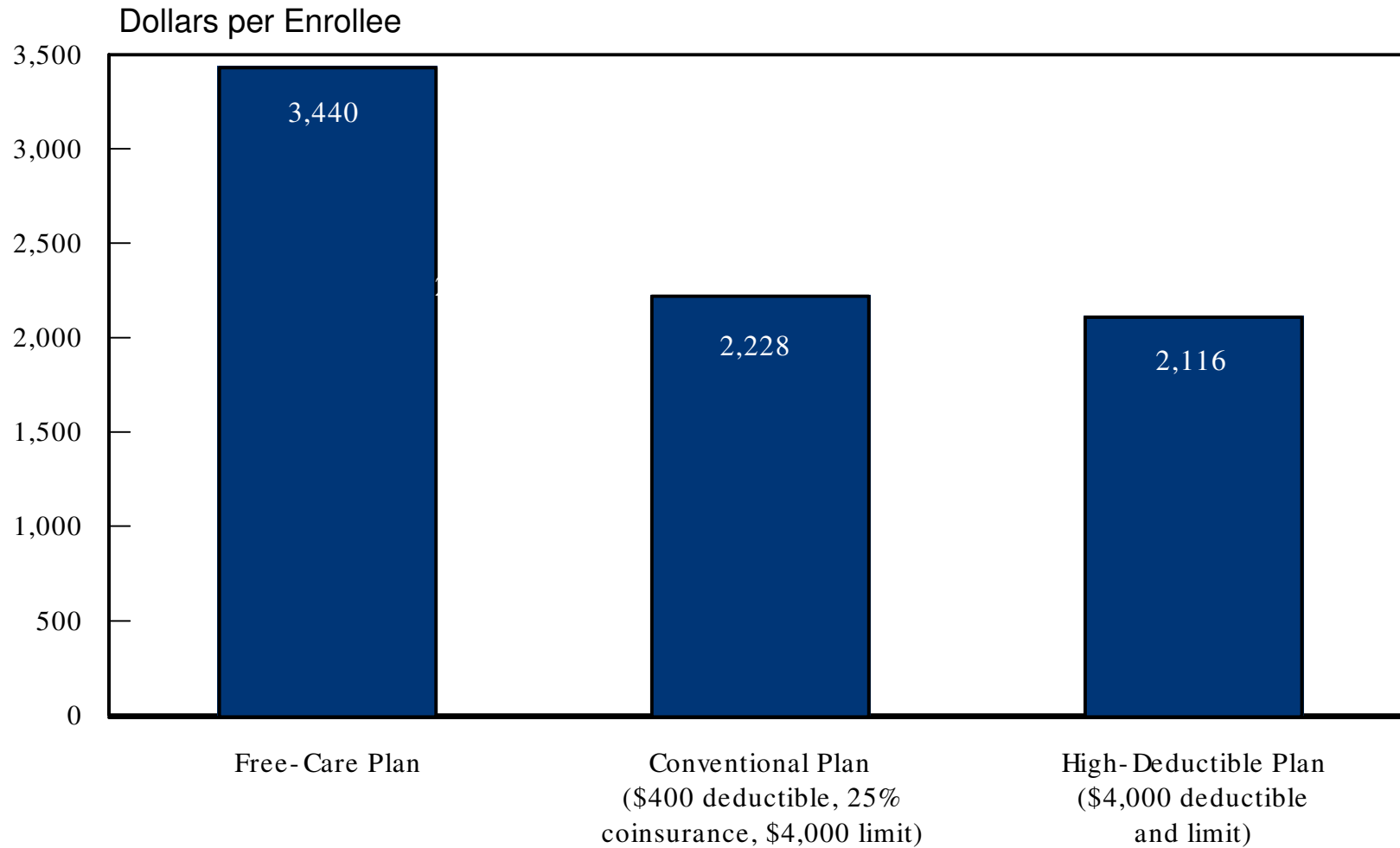


Share of Personal Health Care Expenditures Paid Out of Pocket





Effects of Cost Sharing



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



Costs and Impact of Comparative Effectiveness Research Depend on Type of Research

- § Systematic Reviews
- § Modeling
- § Analyses of Claims Data
- § Registries
- § Practical Clinical Trials
- § Randomized Controlled Trials



Other Factors Affecting Budgetary Impact

§ In the Short Term, Several Constraints

- Time Needed to Generate New Findings, Reach Consensus
- Time Needed to Incorporate Findings into Incentives
- Changes to Medicare Required to Permit Full Adoption

§ In the Long Term, Savings Seem Likely

- Currently, Providers Usually Have Incentives to Adopt New Technology, Enrollees Have Little “Skin in the Game,” and Payers Have Limited Information
- Expanding the Evidence Base Thus Seems More Likely to Limit Future Spending Increases than to Fuel Them



Key Questions

- § Which Approach to Research is Most Cost-Effective?
 - More Evidence on Returns?
- § Relative Power of Information and Incentives?
 - Consumer-Directed or Value-Based Insurance?
- § Compare Clinical Effectiveness or Cost-Effectiveness of Treatments?
- § Roles for Private and Public Insurers?
- § How Much Could Spending/Variation be Reduced?
 - Would Health be Adversely Affected?
- § Impact on Level of Spending or Growth Rate?