



Congressional Budget Office

Presentation to Congressional Health Staff

CBO's New Health Reports

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Background

- The Congressional Budget Office is releasing two volumes related to health care financing and delivery:
 - *Key Issues in Analyzing Major Health Insurance Proposals*
 - *Budget Options, Volume 1: Health Care*
 - Volume 2 of Budget Options (to be released in 2009) will cover non-health issues



Background

The two volumes:

- Reflect the strong interest of policymakers in health financing and health care issues
- Identify key issues in analyzing major health insurance proposals (*Key Issues*)
- Provide estimates of budget impact of specific proposals (*Health Options*)

Neither report makes any recommendations



Key Issues Volume

- Provides insight into CBO's approaches to estimating the effects of proposals on the federal budget, on health insurance coverage, and on total spending for health care
- Addresses common elements of major proposals
 - Does not estimate the impact of any particular package



Key Issues Volume

- Describes key assumptions that would be used in estimating effects of major proposals on costs, coverage, and other outcomes
- Discusses the evidence for those assumptions
- When possible, quantifies effects or ranges and explains relevant factors
- Provides useful background to and a context for the health options volume



Key Issues Volume - Chapters

- Background on Current System
- Approaches for Reducing the Number of Uninsured People
- Factors Affecting Insurance Premiums
- Policies Affecting Choice of Plans
- Factors Affecting Supply and Prices of Health Care Services
- Administrative Issues and “Spillovers”
- Health Habits and Medical Practice
- Budgetary Issues and Macroeconomic Effects



Key Issues Volume - Conclusions

- The rising costs of health care and health insurance pose a serious threat to the future fiscal condition of the U.S.
 - Medicare and the federal share of Medicaid are projected to be about 4% of GDP in 2009 and nearly 6% in 2019 and 12% by 2050



Key Issues Volume - Conclusions

- A substantial and growing number of non-elderly people are without health insurance:
 - At least 45 million in 2009
 - About 54 million in 2019



Key Issues Volume - Conclusions

- Those problems cannot be solved without making major changes in the financing or provision of health insurance and health care.
- Policymakers will face difficult trade-offs between two objectives:
 - Expanding insurance coverage **while**
 - Controlling both total and federal costs for health care



Key Issues Volume - Conclusions

- By themselves, premium subsidies or mandates are insufficient to achieve universal coverage
- Near-universal coverage is possible using a combination of approaches, such as:
 - Enacting enforceable individual mandates along with subsidies for low-income people
 - Creating a voluntary system that combines subsidies that cover a very large share of the costs of insurance with a process that facilitates enrollment (as in Medicare)



Key Issues Volume - Conclusions

- There are no simple solutions to address the serious concerns about the efficiency of the health care system:
 - Encouraging the purchase of less extensive coverage could reduce treatments of minimal benefit
 - Enrollees would face higher cost sharing or tighter management of their care



Key Issues Volume - Conclusions

- Other approaches (health IT, preventive care) could improve people's health, **but:**
- Would bring either modest reductions in health care costs or increases in overall spending in the 10-year budget window (2010-2019)



Key Issues Volume - Conclusions

- Significantly reducing the level or growth of health care spending would require substantial changes in the incentives faced by doctors and hospitals to control costs



Health Options Volume

- Comprises 115 discrete options to alter federal programs, affect the private health insurance market, or both
- Includes options that both reduce or increase spending or revenues
- Draws from extensive conversations with Congressional staff, academic studies, proposed budgets, health experts, previous legislation



Health Options Volume

- Although broad in scope, by no means comprehensive
- Organized by thematic chapters, not by program
 - Contains an appendix of options organized by program



Health Options Volume – Chapters

- The Private Health Insurance Market
- The Tax Treatment of Health Insurance
- Changing the Availability of Health Insurance Through Existing Federal Programs
- The Quality and Efficiency of Health Care
- Geographic Variation in Spending for Medicare



Health Options Volume – Chapters, cont.

- Paying for Medicare Services
- Financing and Paying for Services in Medicaid and SCHIP
- Premiums and Cost Sharing in Federal Health Programs
- Long-term Care
- Health Behavior and Health Promotion
- Closing the Gap between Medicare's Spending and Receipts



Health Options Volume – Caveats

- Estimates are based on CBO's March 2008 baseline.
- Future estimates are likely to be different
 - Effects measured against a different baseline
 - For example, with different underlying economic assumptions
 - 2007 data for Part D are not yet available
 - Analysis will continue
 - For example, as new data become available



Health Options Volume – Caveats

- Options are not additive – they may have interactive effects that have not been estimated
- Potential costs to state or local governments have not been estimated
- Estimates of revenue effects from JCT go only through 2018
- Some options are very complex – they may be candidates for pilots or demonstrations



Conclusion

- Thanks to colleagues at MedPAC, CMS, and others for their assistance on technical issues
- Special thanks to JCT for its work on the revenue estimates
- For follow-up:
 - Organized briefings if needed (for other committee staff, LAs): Sandy Davis (6-2701)
- Both volumes available at www.cbo.gov
 - 10-year numbers will be available soon on Web