



Congressional Budget Office

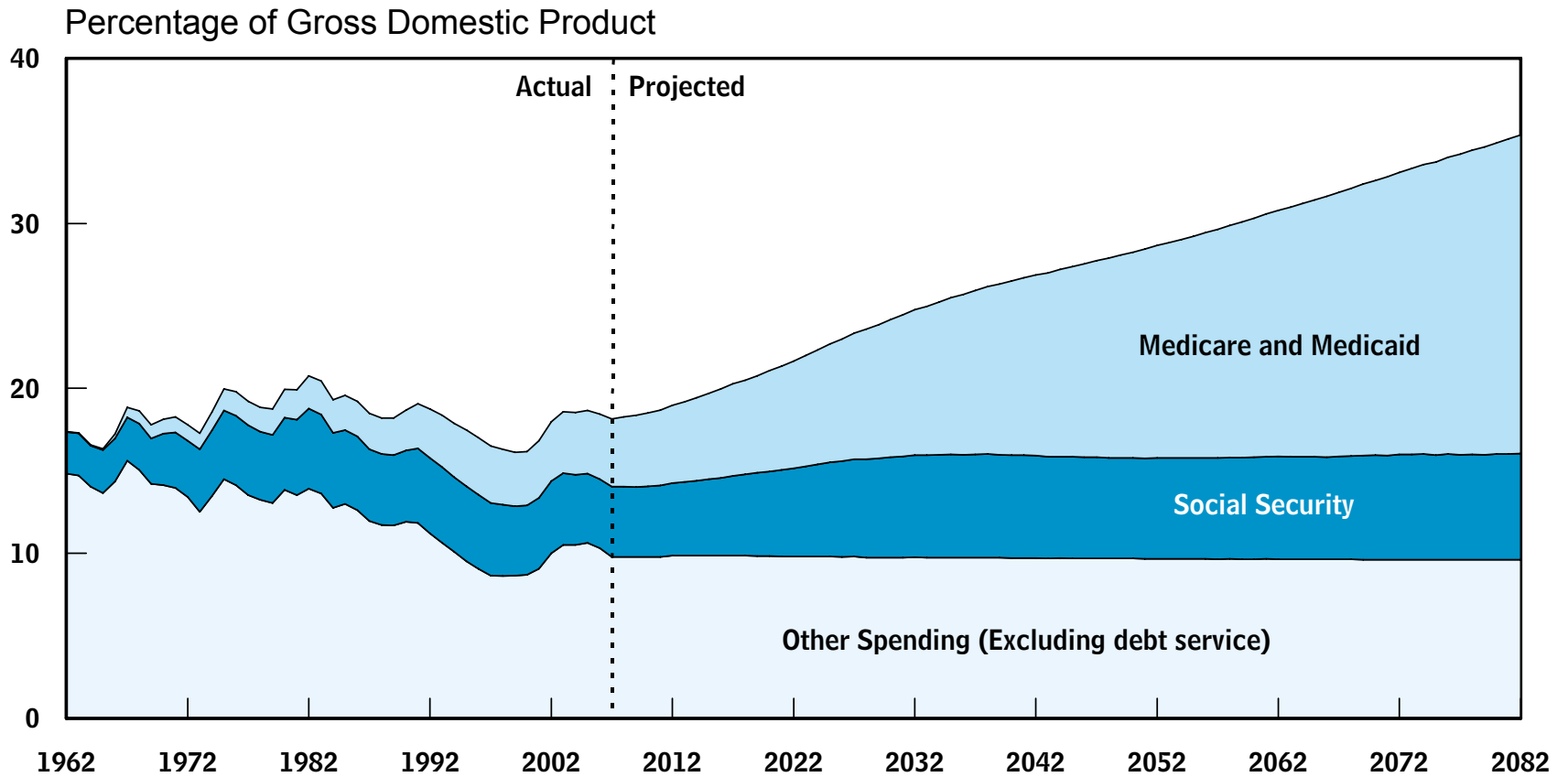
Presentation for Princeton University

**Health Care:
Capturing the Opportunity in the
Nation's Core Fiscal Challenge**

March 12, 2008



Federal Spending Under CBO's Alternative Fiscal Scenario





Misdiagnosing the problem

- Most discussions in media: aging and demographics
- Most of the fiscal problem: rising cost per beneficiary, not number or type of beneficiaries



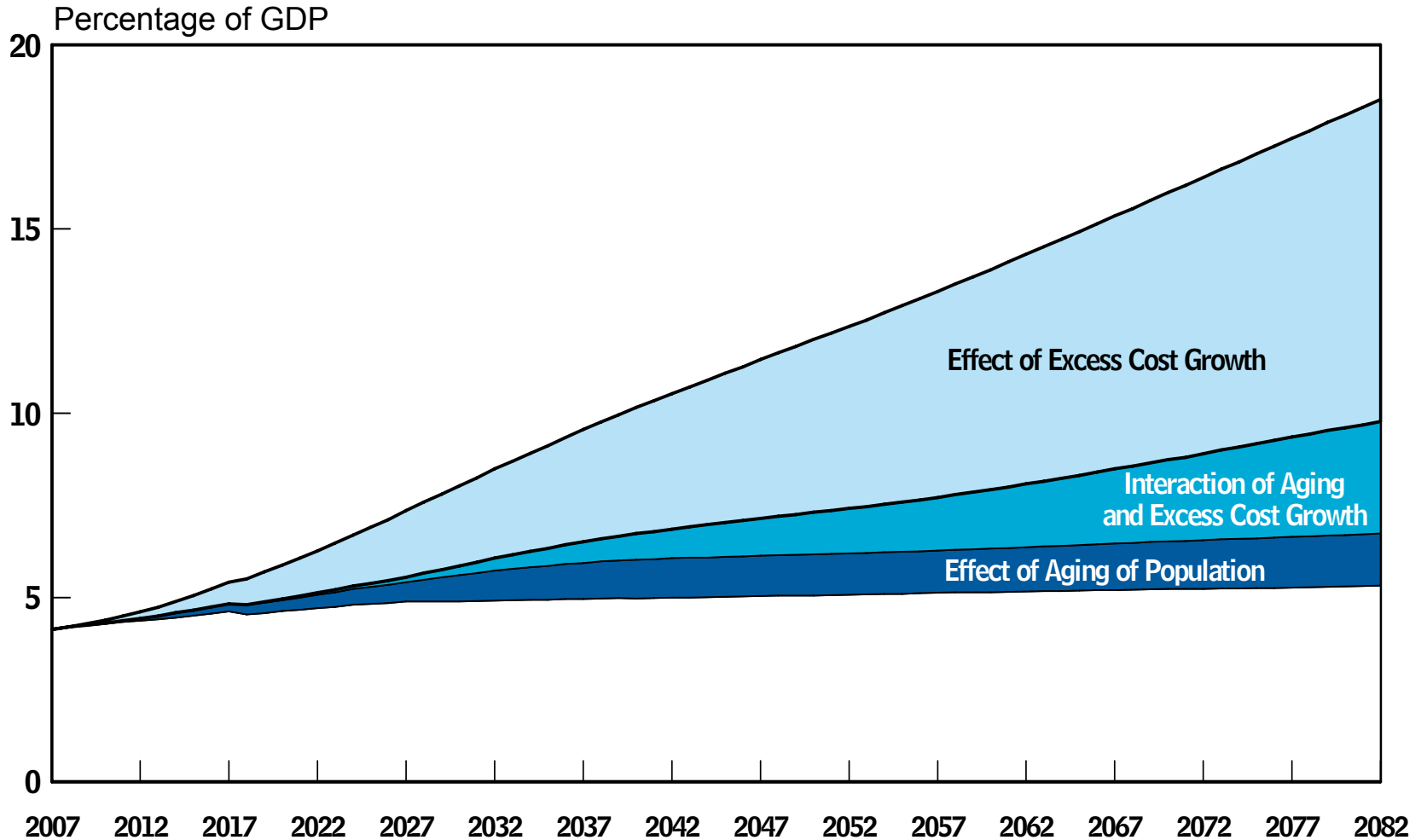
Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care

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

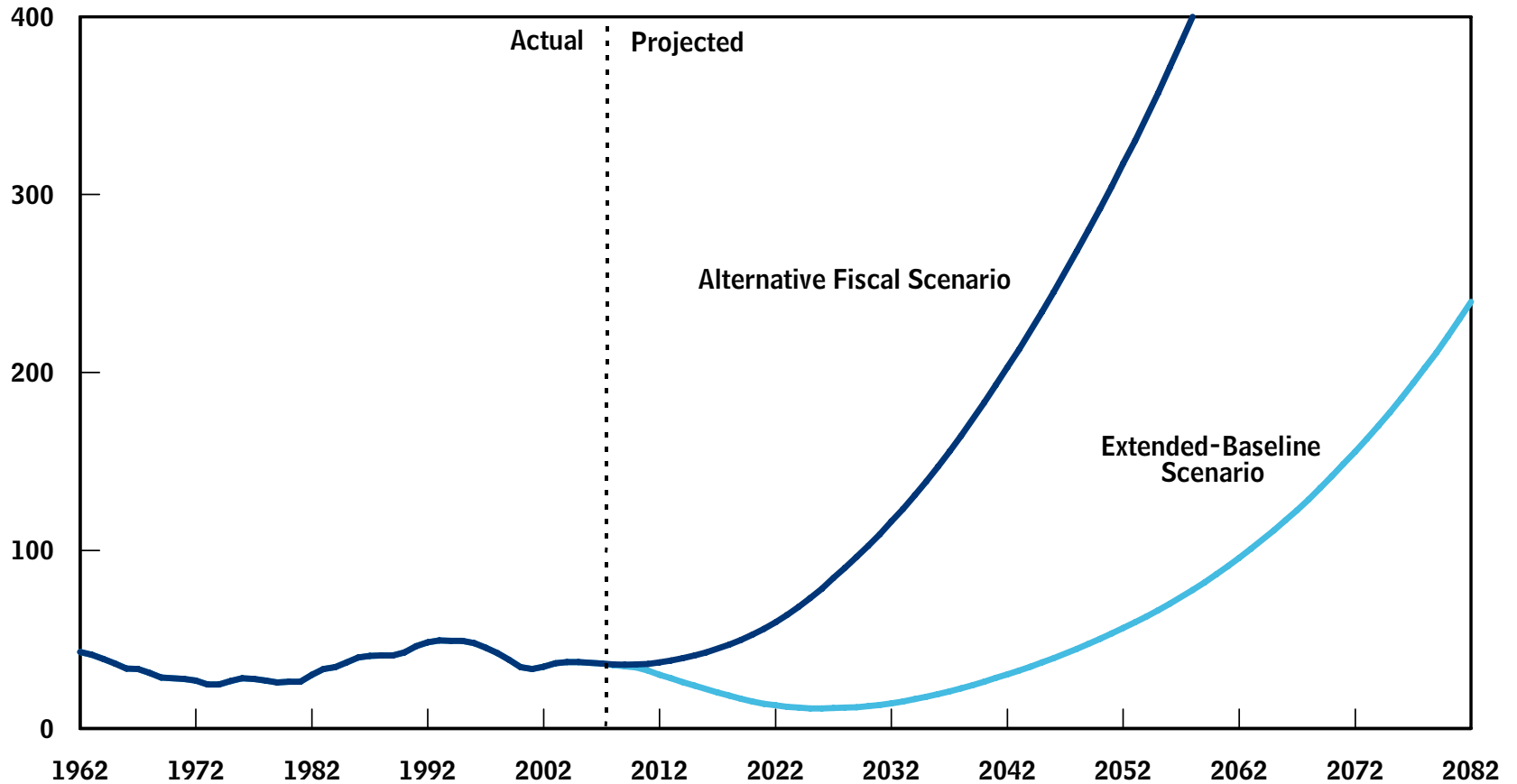


Sources of Growth in Projected Federal Spending on Medicare and Medicaid





Federal Debt Held by the Public as a Percentage of Gross Domestic Product Under CBO's Long-Term Budget Scenarios





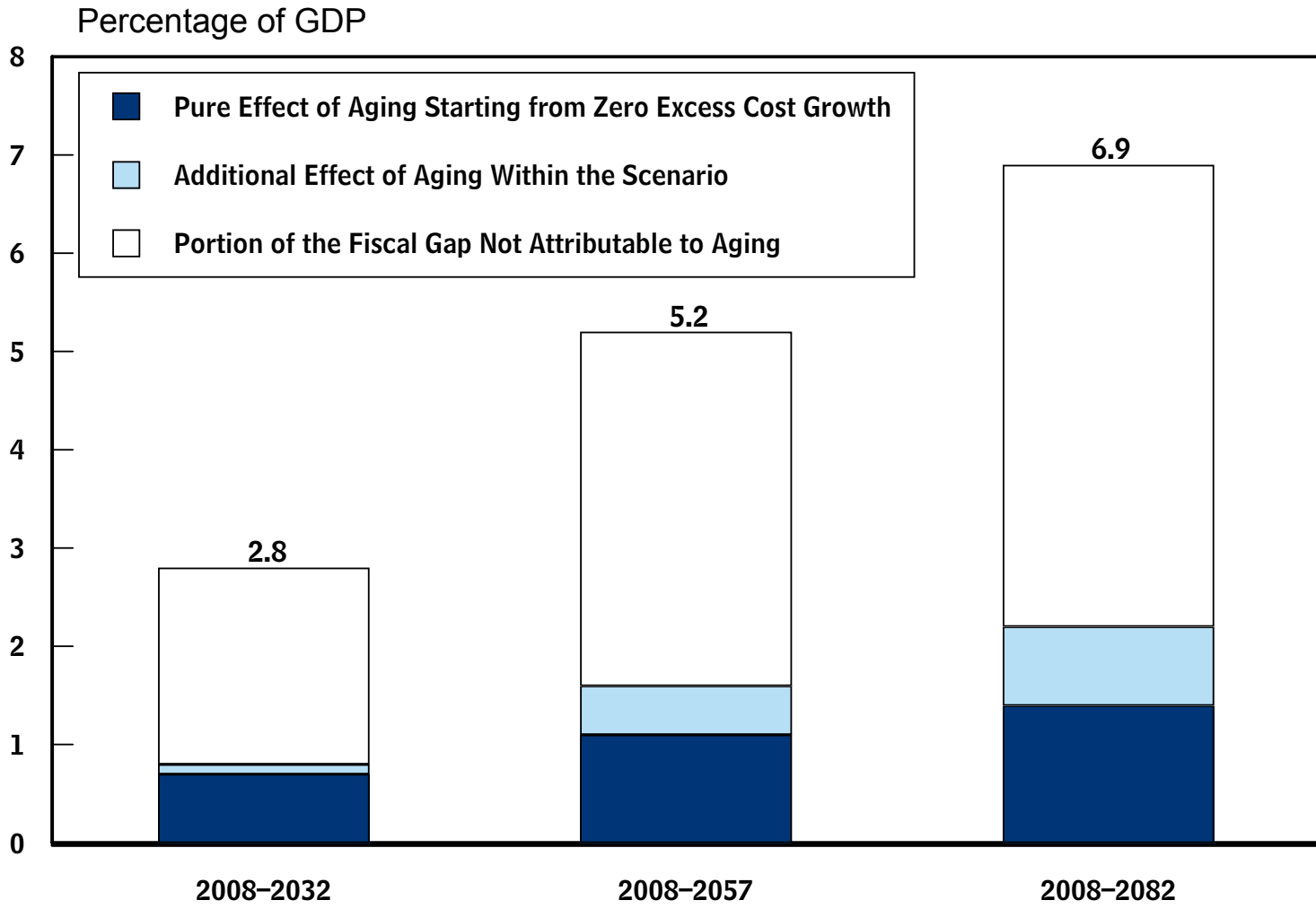
Federal Fiscal Imbalance Under CBO's Long-Term Budget Scenarios

Percentage of Gross Domestic Product

Projection Period	Revenues	Outlays	Fiscal Gap
Extended-Baseline Scenario			
25 Years (2008–2032)	20.2	19.5	-0.7
50 Years (2008–2057)	21.3	21.9	0.6
75 Years (2008–2082)	22.1	23.8	1.7
Alternative Fiscal Scenario			
25 Years (2008–2032)	18.6	21.4	2.8
50 Years (2008–2057)	18.8	24.1	5.2
75 Years (2008–2082)	19.2	26.1	6.9



Contribution of Aging to the Fiscal Gap Under CBO's Alternative Fiscal Scenario





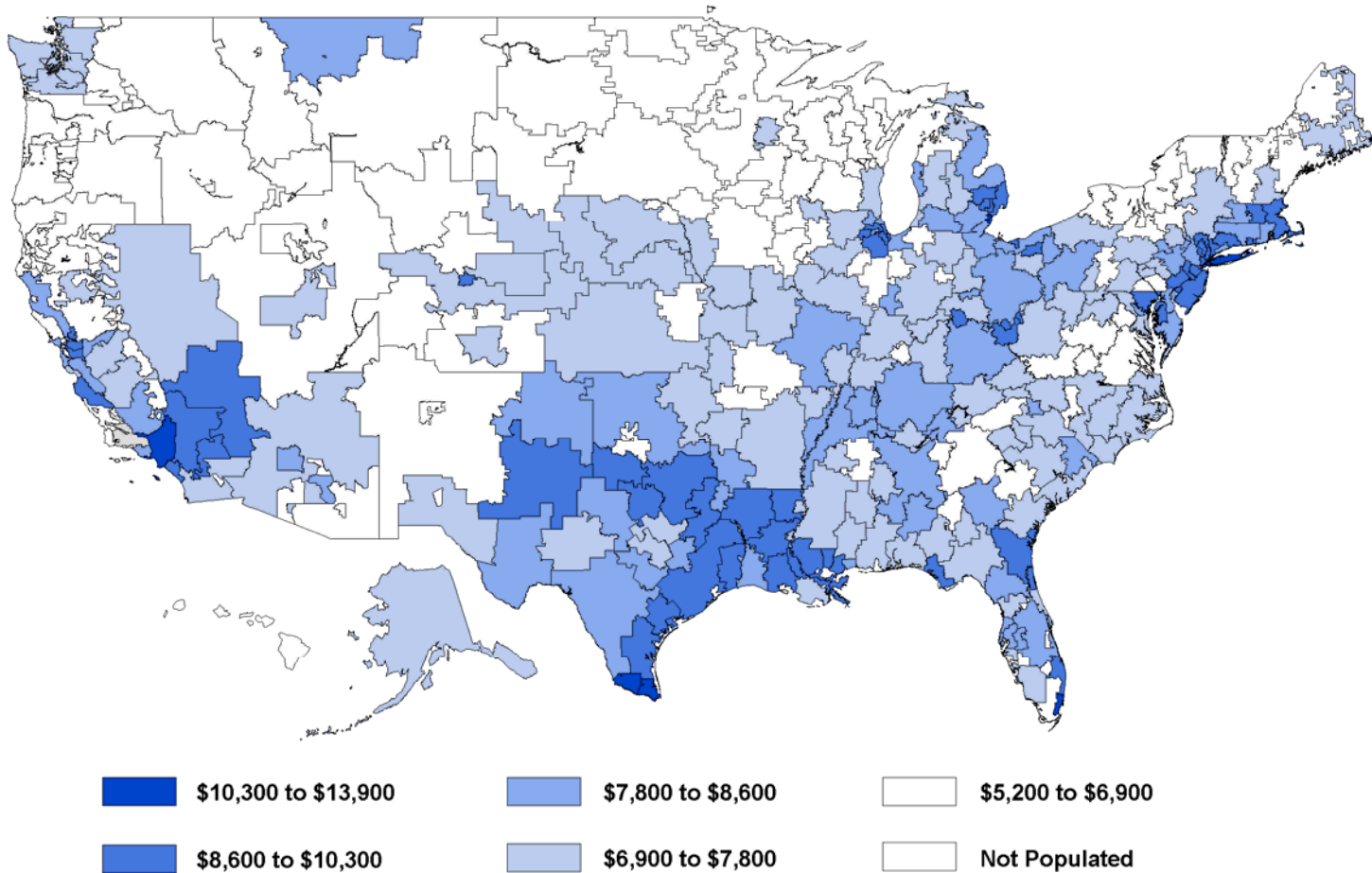
Before we all get too depressed....

Embedded in the nation's central long-term fiscal challenge appears to be a substantial opportunity:

Can we reduce health care costs without impairing health outcomes?

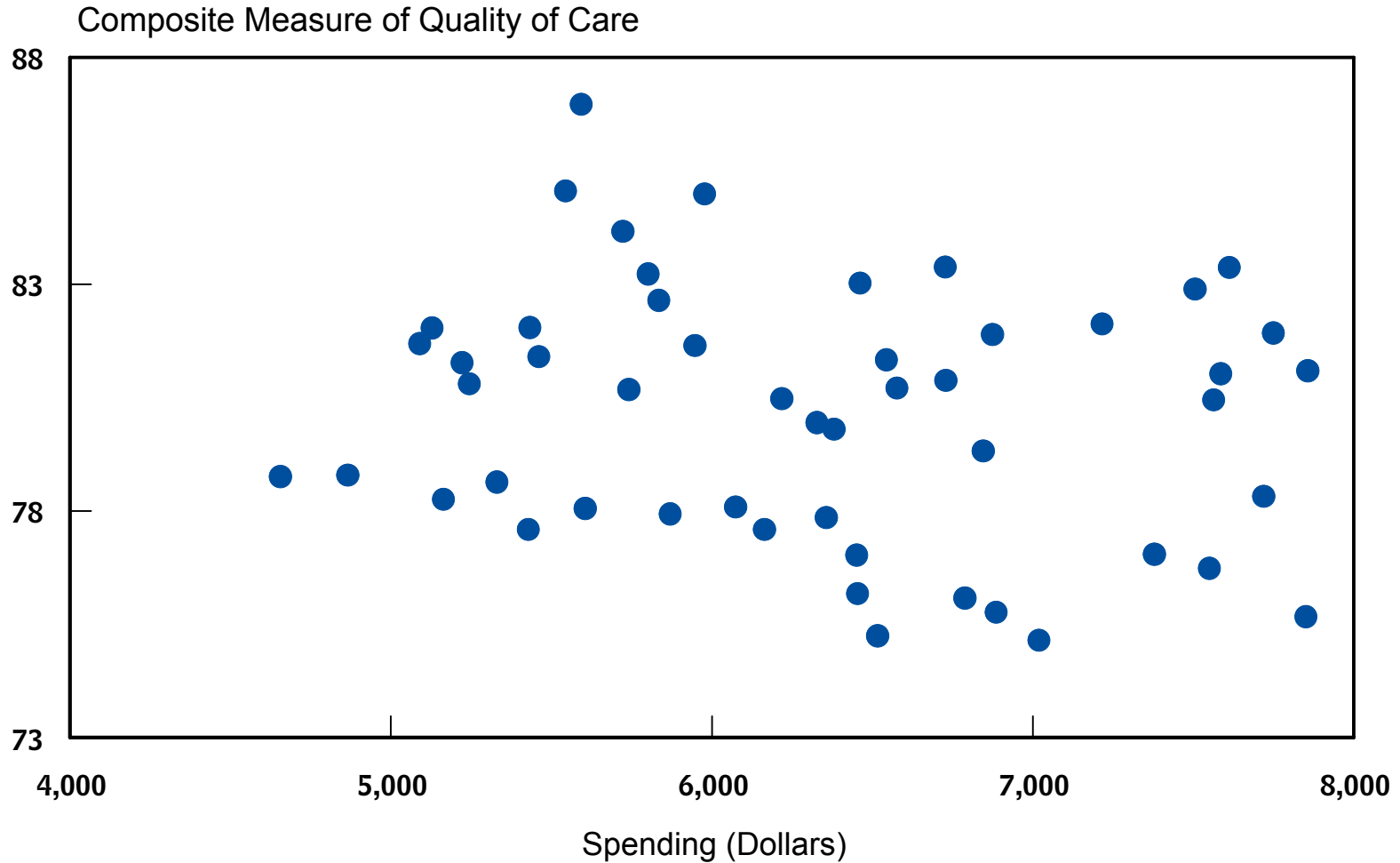


Medicare Spending per Beneficiary in the United States, by Hospital Referral Region, 2005





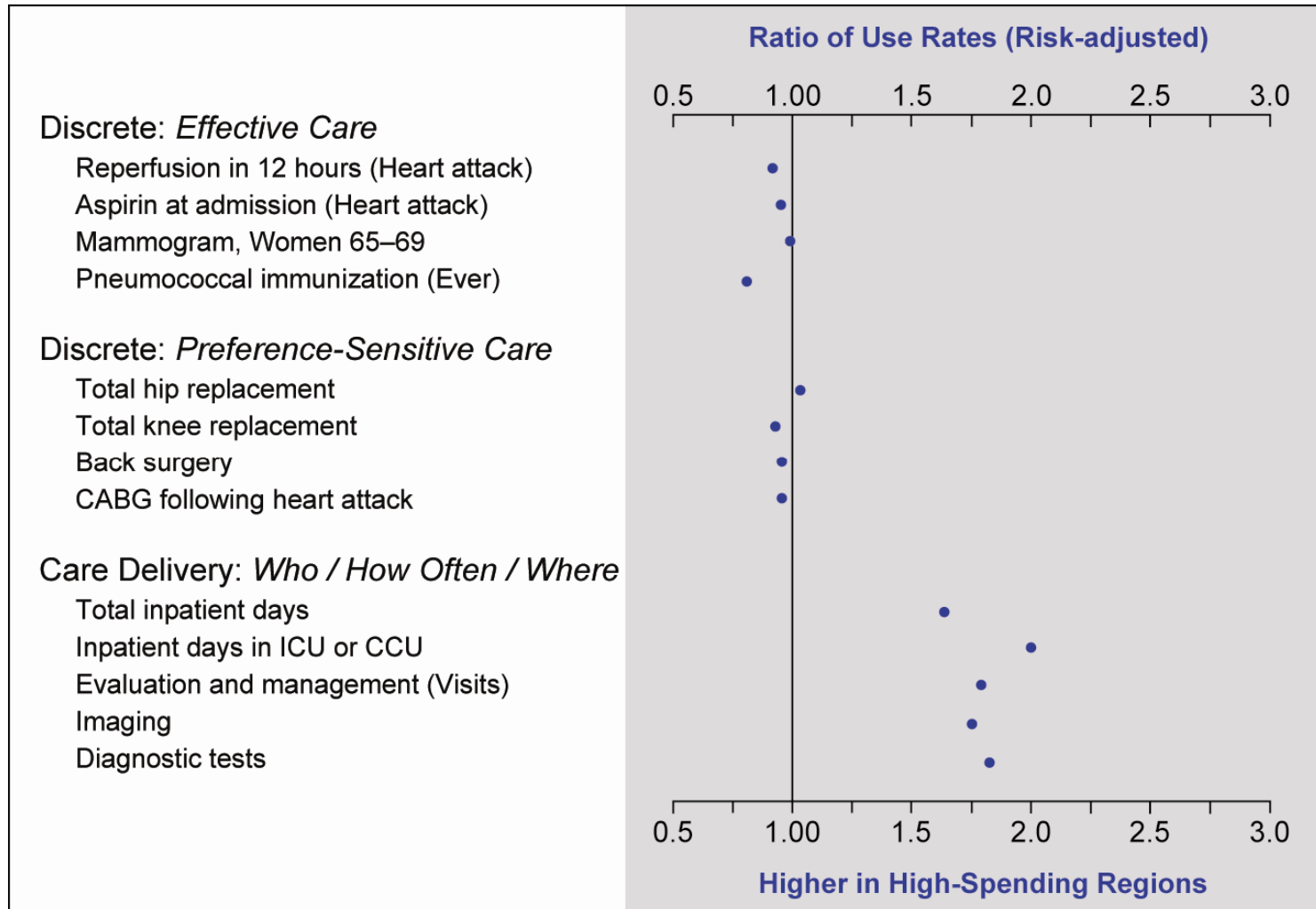
The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.



What Additional Services Are Provided in High-Spending Regions?





Variations Among Academic Medical Centers

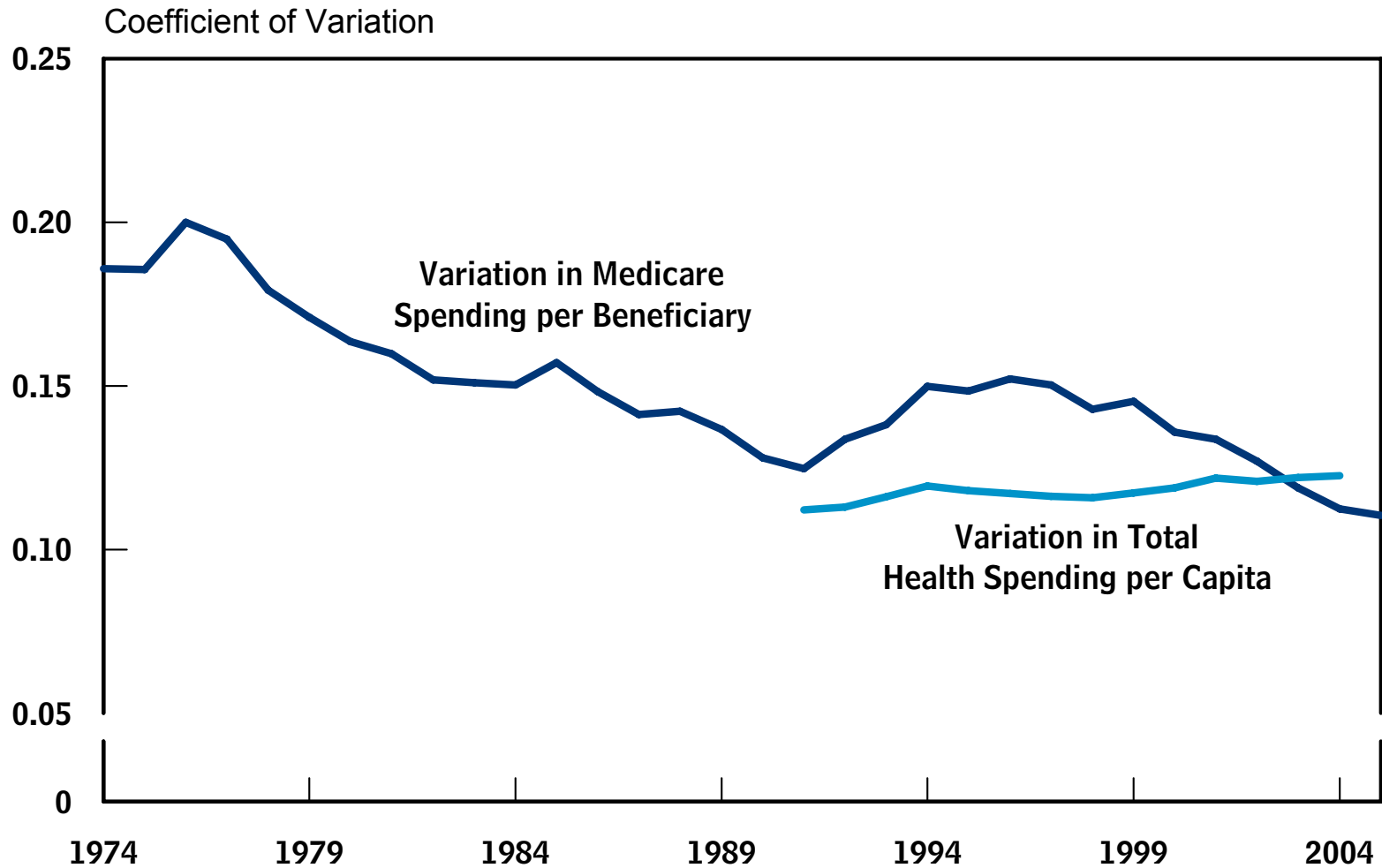
Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report's "Honor Roll" AMCs

	UCLA Medical Center	Massachusetts General Hospital	Mayo Clinic (St. Mary's Hospital)
Biologically Targeted Interventions: Acute Inpatient Care			
CMS composite quality score	81.5	85.9	90.4
Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life			
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.



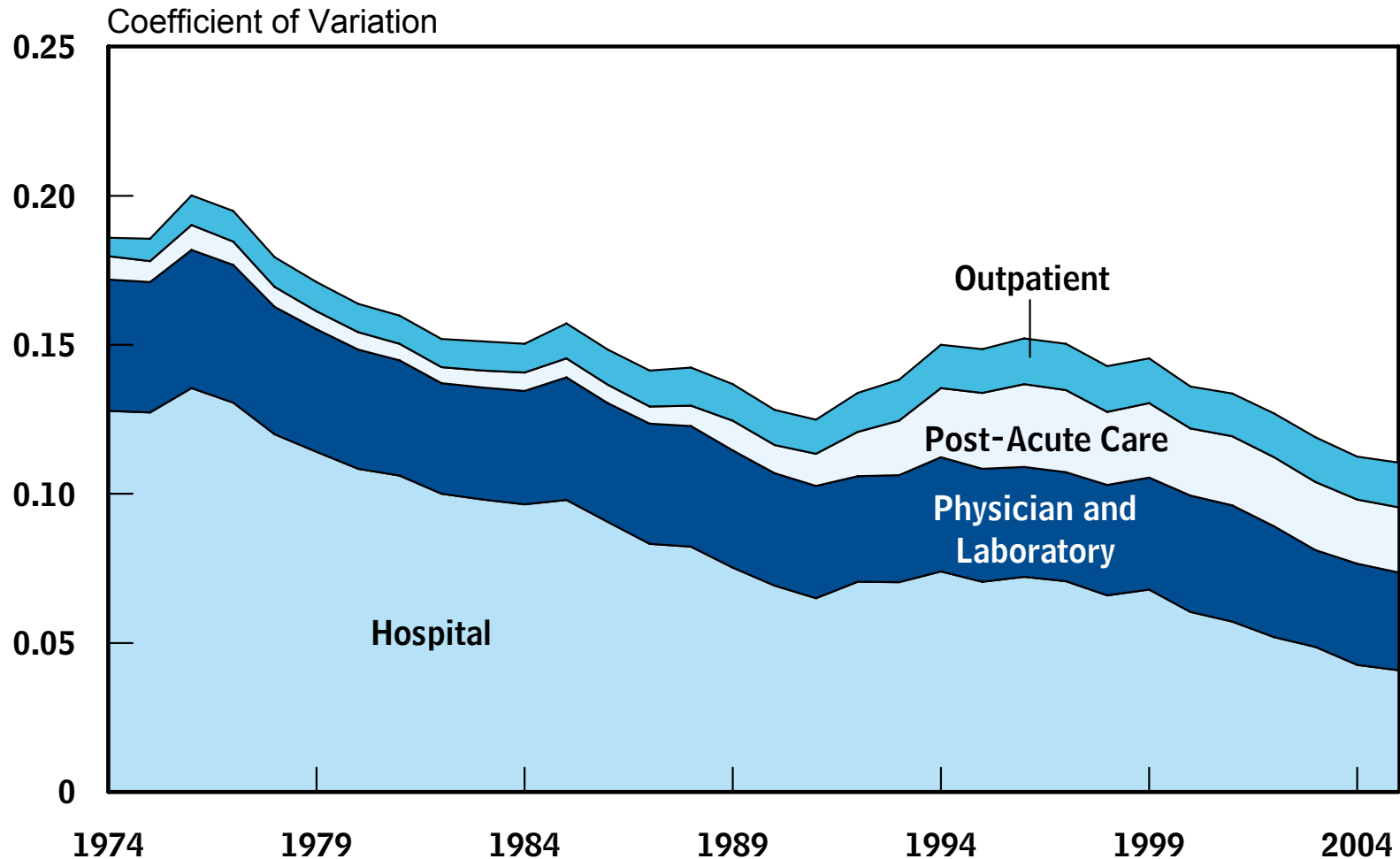
Variation in State-Level Medicare and Overall Health Care Spending per Capita



Source: Based on data from CMS.



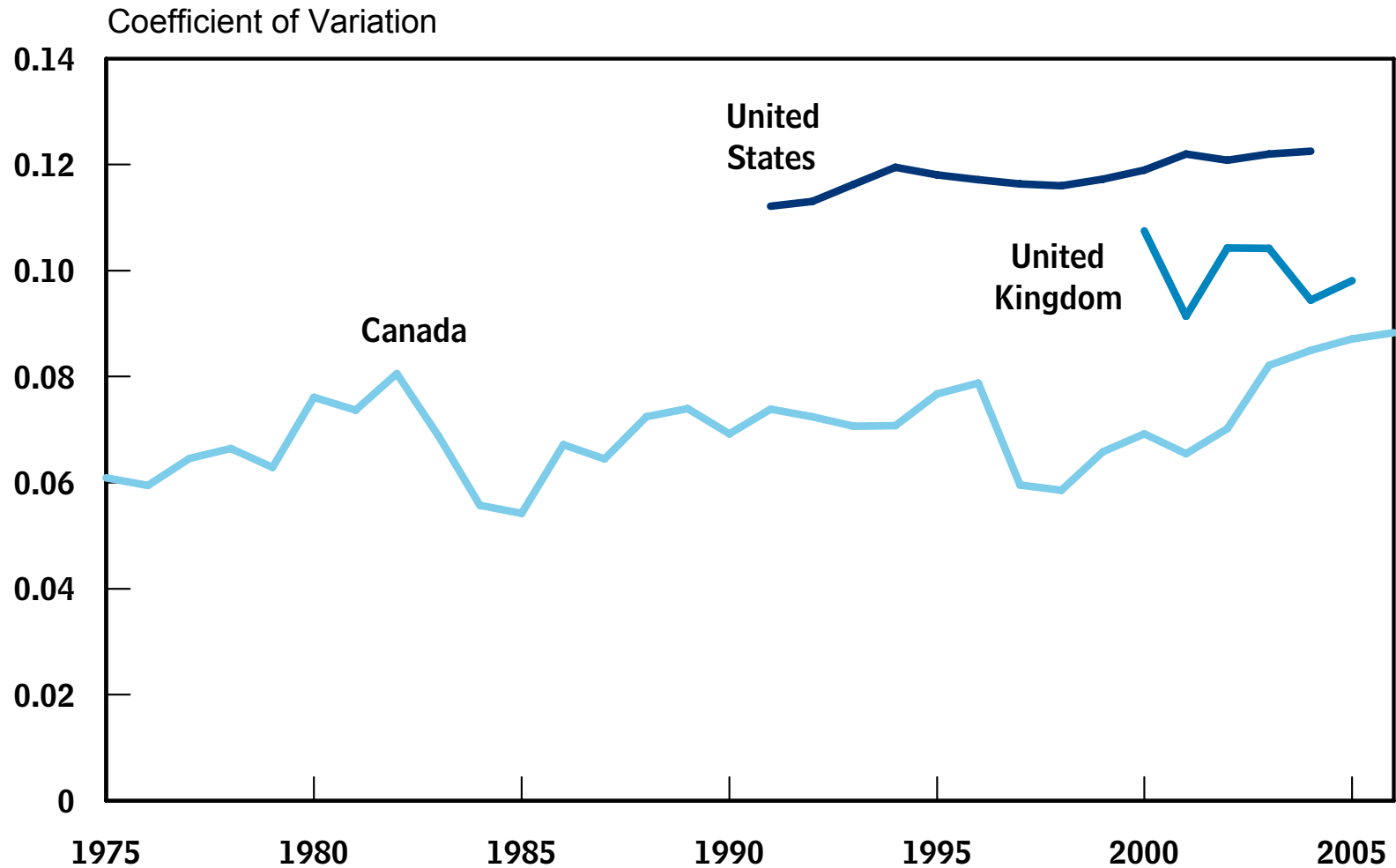
Contributions of Major Service Categories to State-Level Variation in Medicare Spending per Beneficiary



Source: Based on data from CMS.



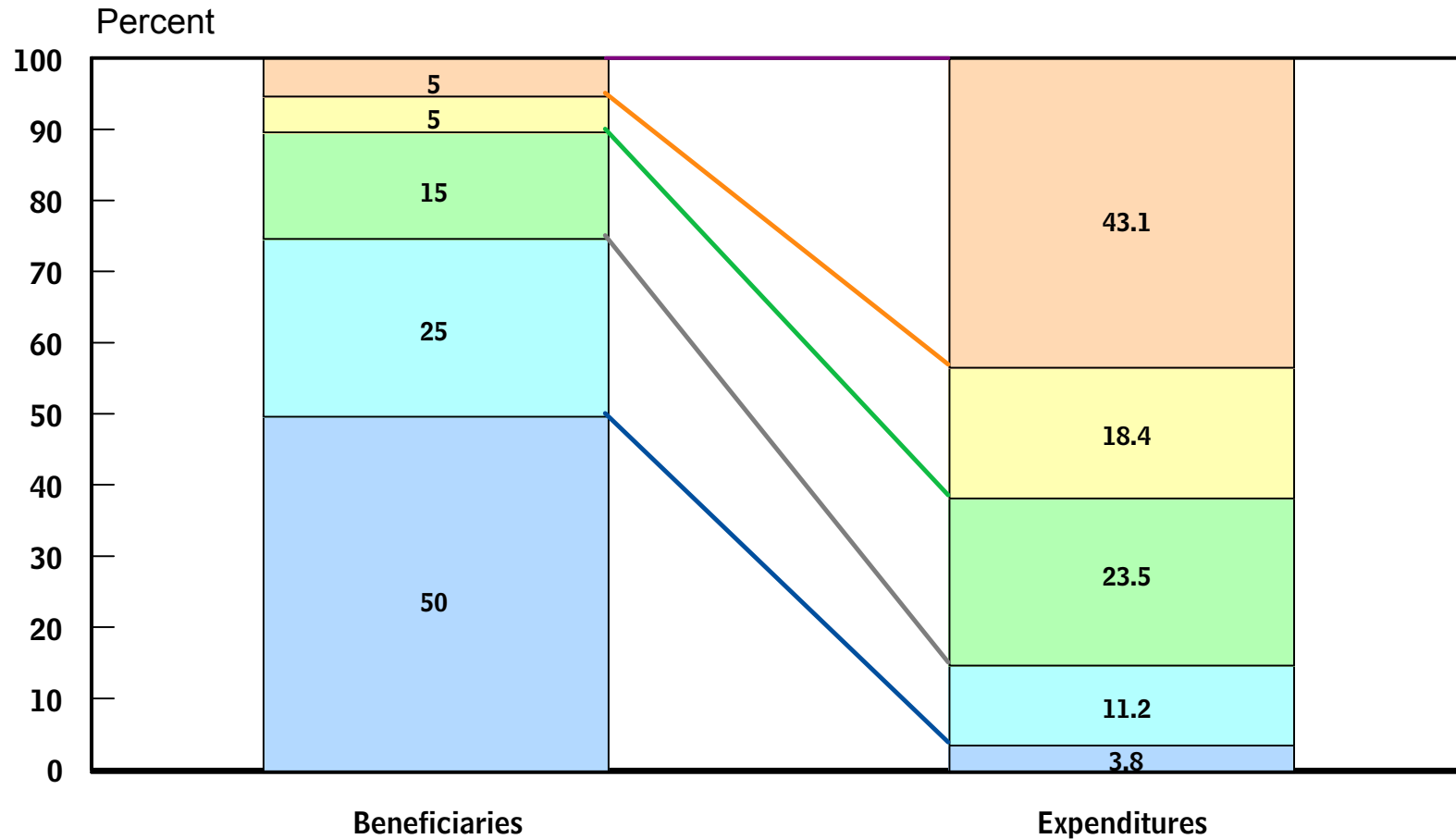
Geographic Variation in Health Care Spending per Capita in Selected Countries



Source: Based on data from CMS, HM Treasury (U.K.), and the Canadian Institute for Health Information.



Concentration of Total Annual Medicare Expenditures Among Beneficiaries, 2001



Source: CBO based on data from CMS.



Paths toward capturing the opportunity

- Information
 - Comparative effectiveness research
 - Randomized control trials
 - HIT backbone
- Incentives
 - Better care, not more care
 - Coverage vs. differentiated payments
- Delivery systems
- Health behavior
 - Making it easy and simple to lead healthy lives
 - Chronic disease
 - Prevention
 - Behavior and social norms among medical professionals



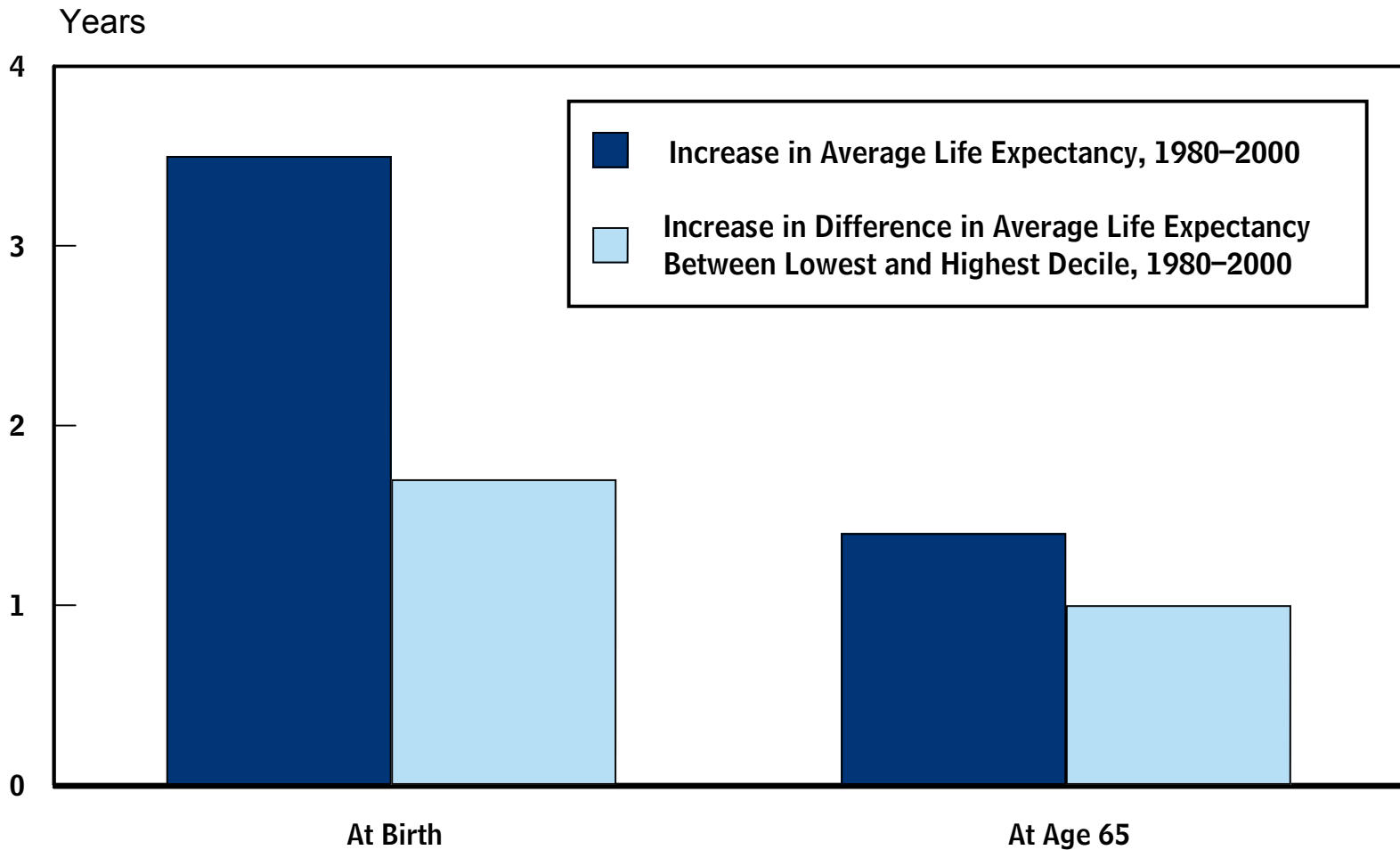
CBO Health Activities

- **New Hires and Expanded Staffing**
 - New deputy assistant director (Keith Fontenot) in the Budget Analysis Division
 - Health staff agency wide increase from 30 FTEs to 40 FTEs (Plus 6 new hires)
 - FY 2009 Plans

- **Reports and Analysis in 2008**
 - Critical Topics in Health Reform
 - Health Options



Increase in Life Expectancy and Increase in Difference in Life Expectancy by Economic Status



Source: Data from Singh and Siahpush (2006) and CDC.