



**Congressional Budget Office**

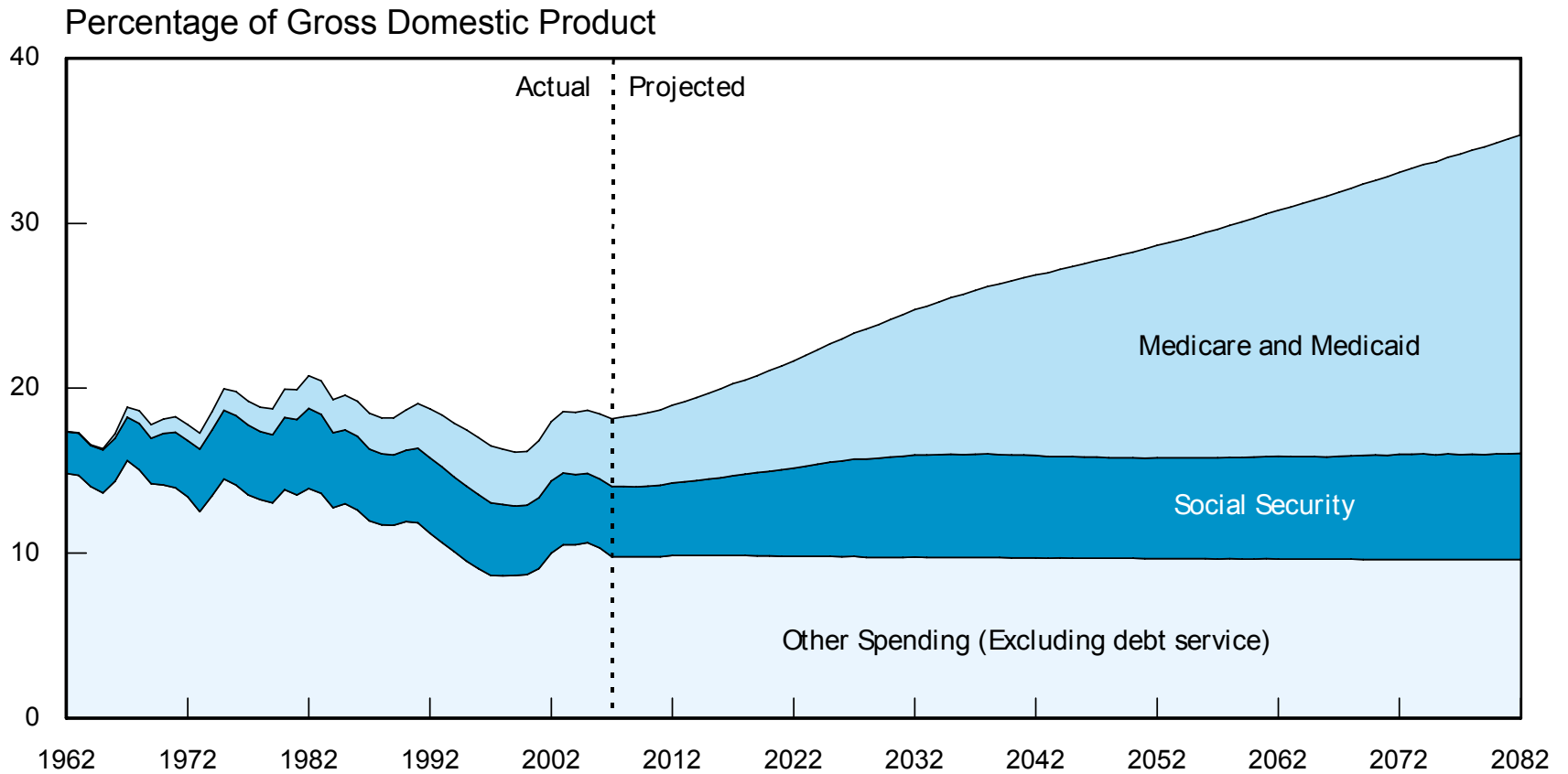
**Presentation for the University of Texas at Austin**

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

**April 28, 2008**



# Federal Spending Under CBO's Alternative Fiscal Scenario





# 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



## Estimated Contributions of Selected Factors to Long-Term Growth in Real Health Care Spending per Capita, 1940 to 1990

	Smith, Heffler, and Freeland (2000)	Cutler (1995)	Newhouse (1992)
<b>Aging of the Population</b>	2	2	2
<b>Changes in Third-Party Payment</b>	10	13	10
<b>Personal Income Growth</b>	11-18	5	<23
<b>Prices in the Health Care Sector</b>	11-22	19	Not Estimated
<b>Administrative Costs</b>	3-10	13	Not Estimated
<b>Defensive Medicine and Supplier-Induced Demand</b>	0	Not Estimated	0
<b>Technology-Related Changes in Medical Practice</b>	38-62	49	>65

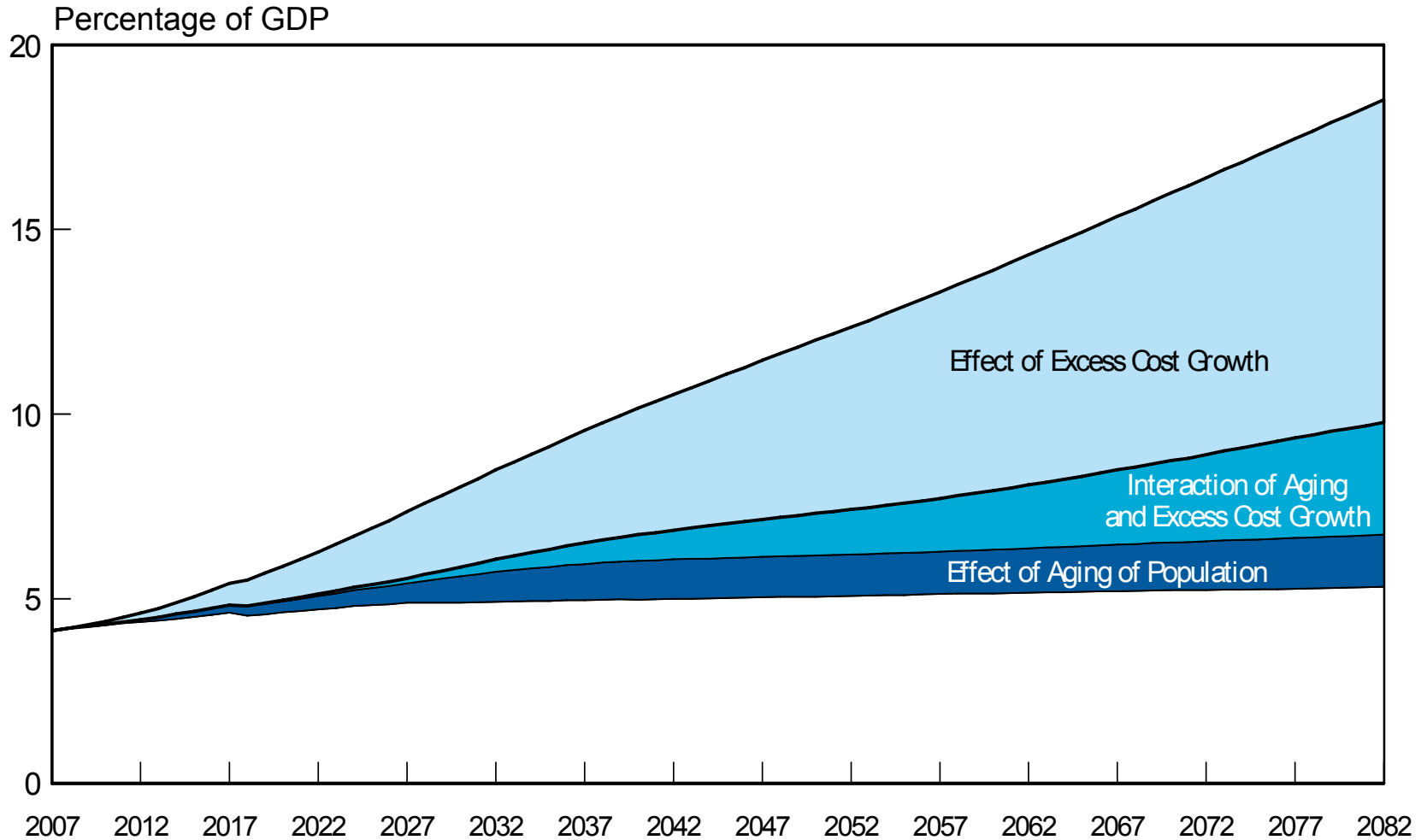


## Misdiagnosing the problem

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



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





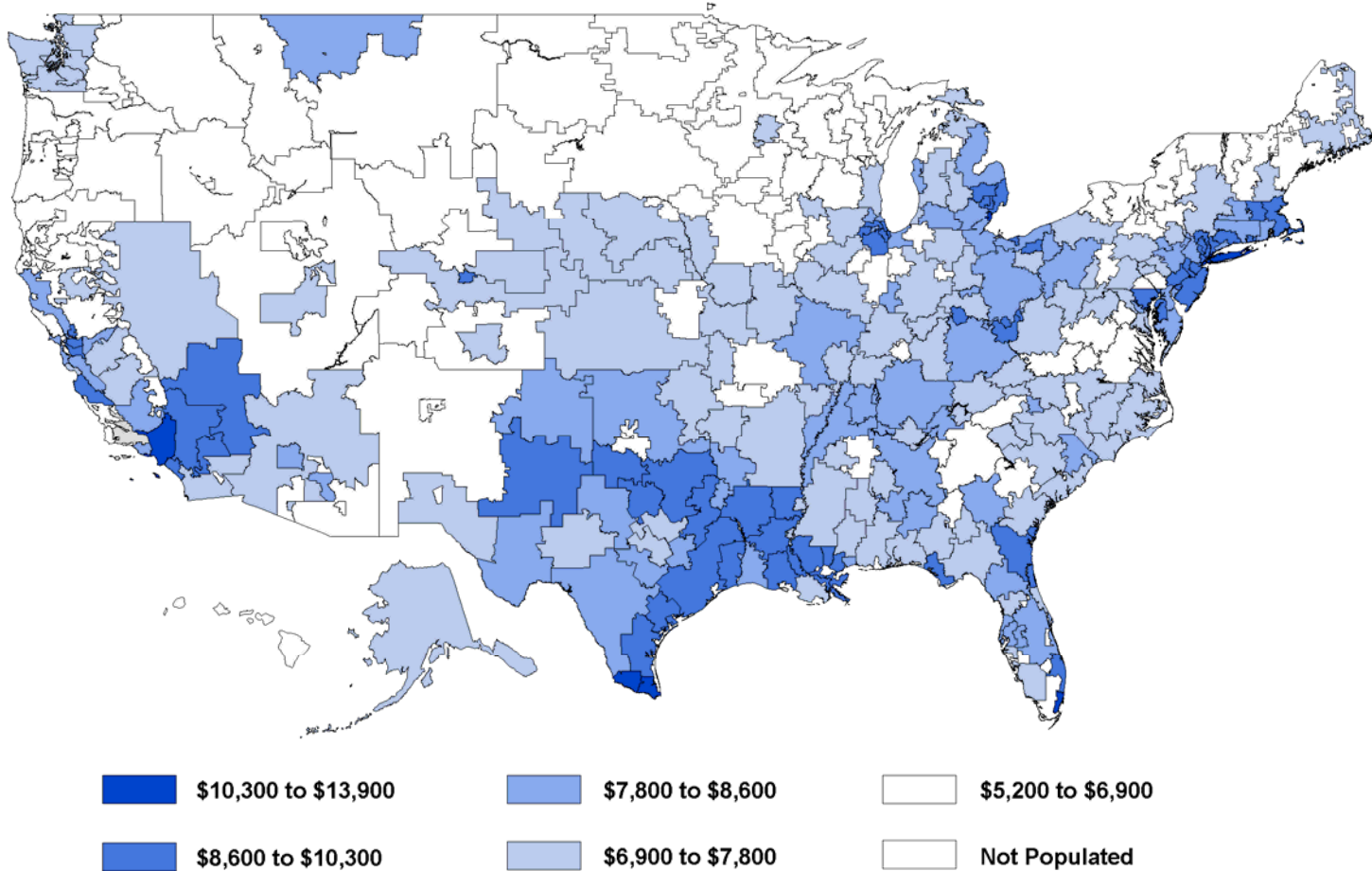
**Before we all get too depressed....**

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





## Variations Among Academic Medical Centers

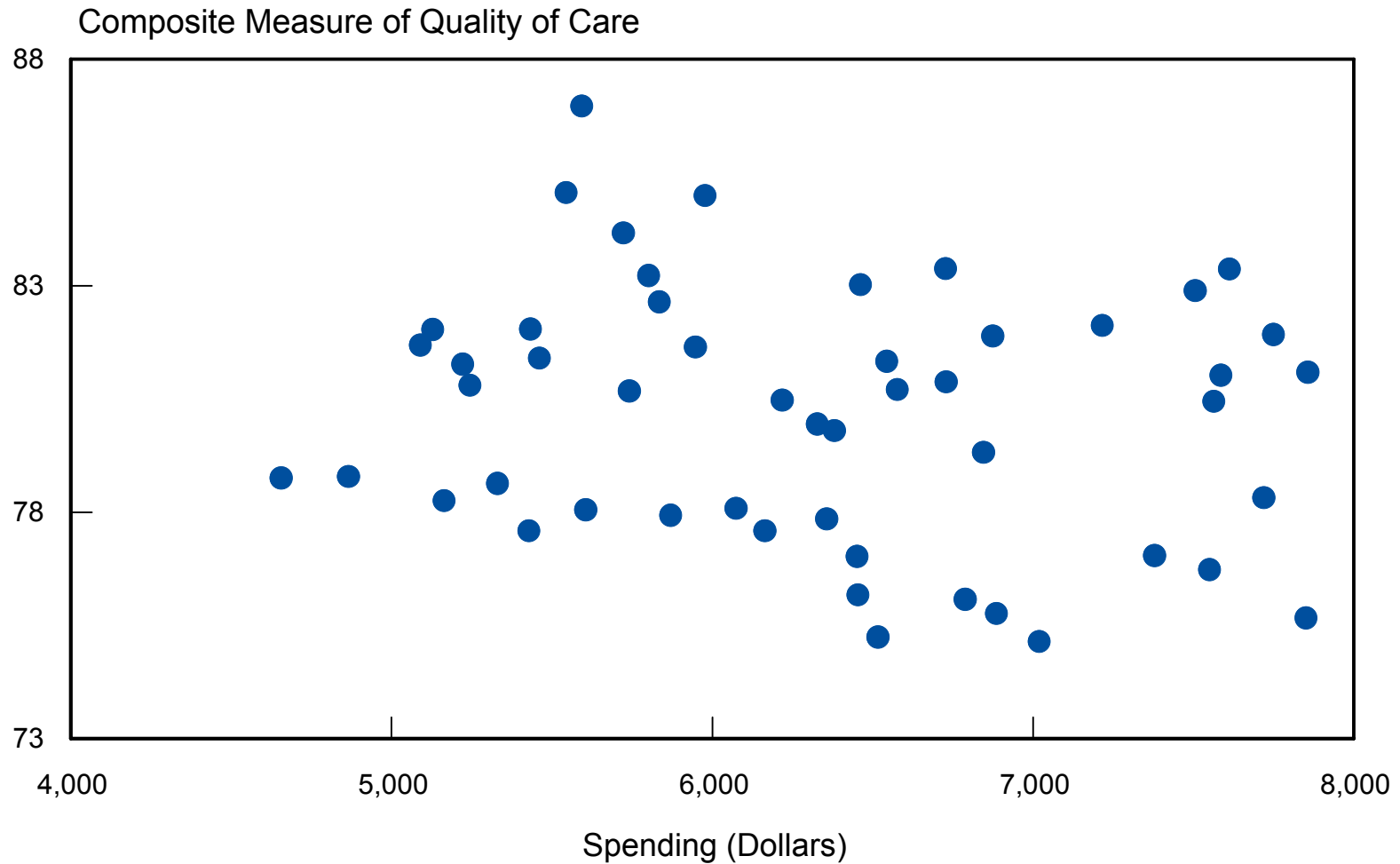
*Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report's "Honor Roll" AMCs*

	<b>UCLA Medical Center</b>	<b>Massachusetts General Hospital</b>	<b>Mayo Clinic (St. Mary's Hospital)</b>
<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.



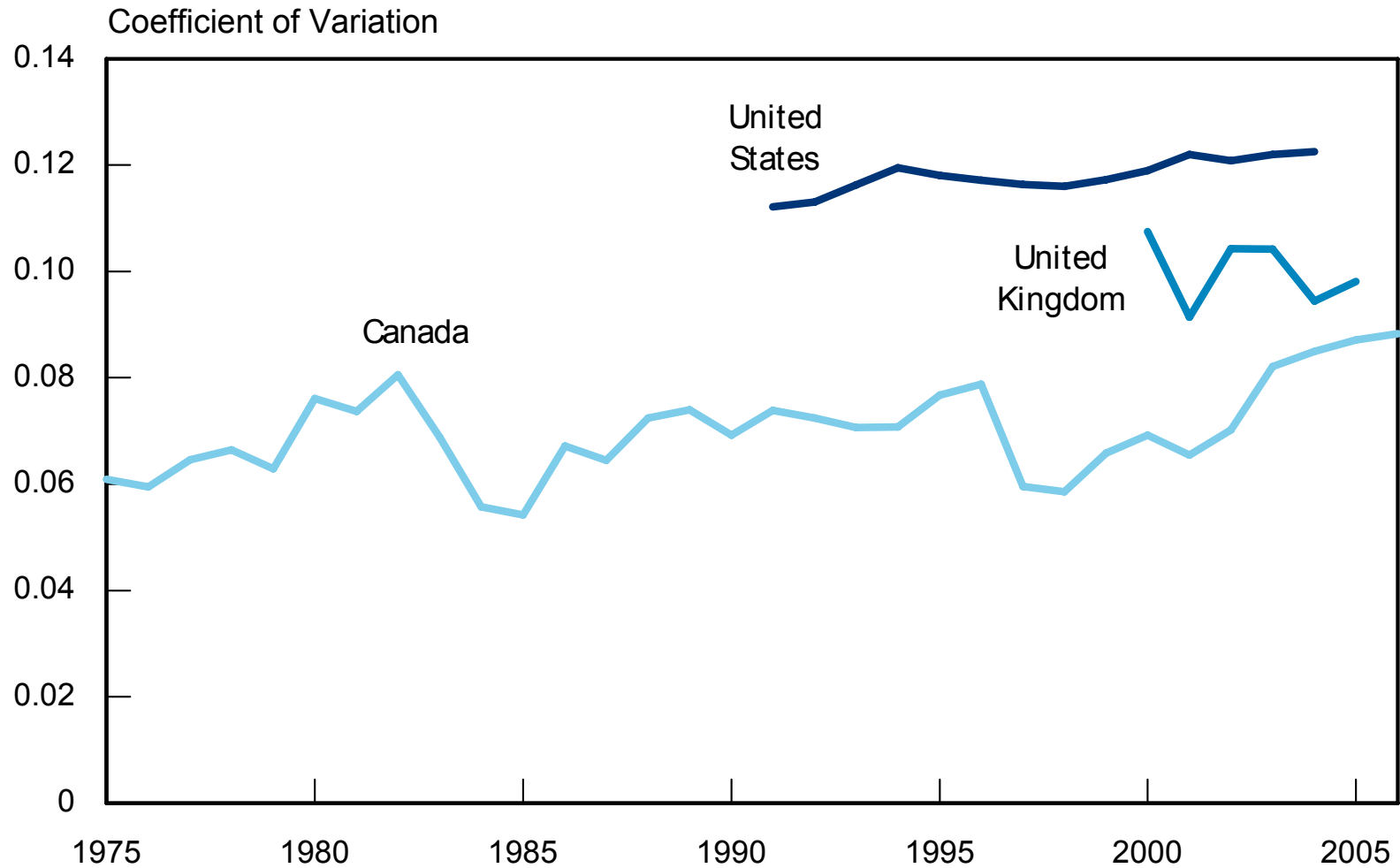
# The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.



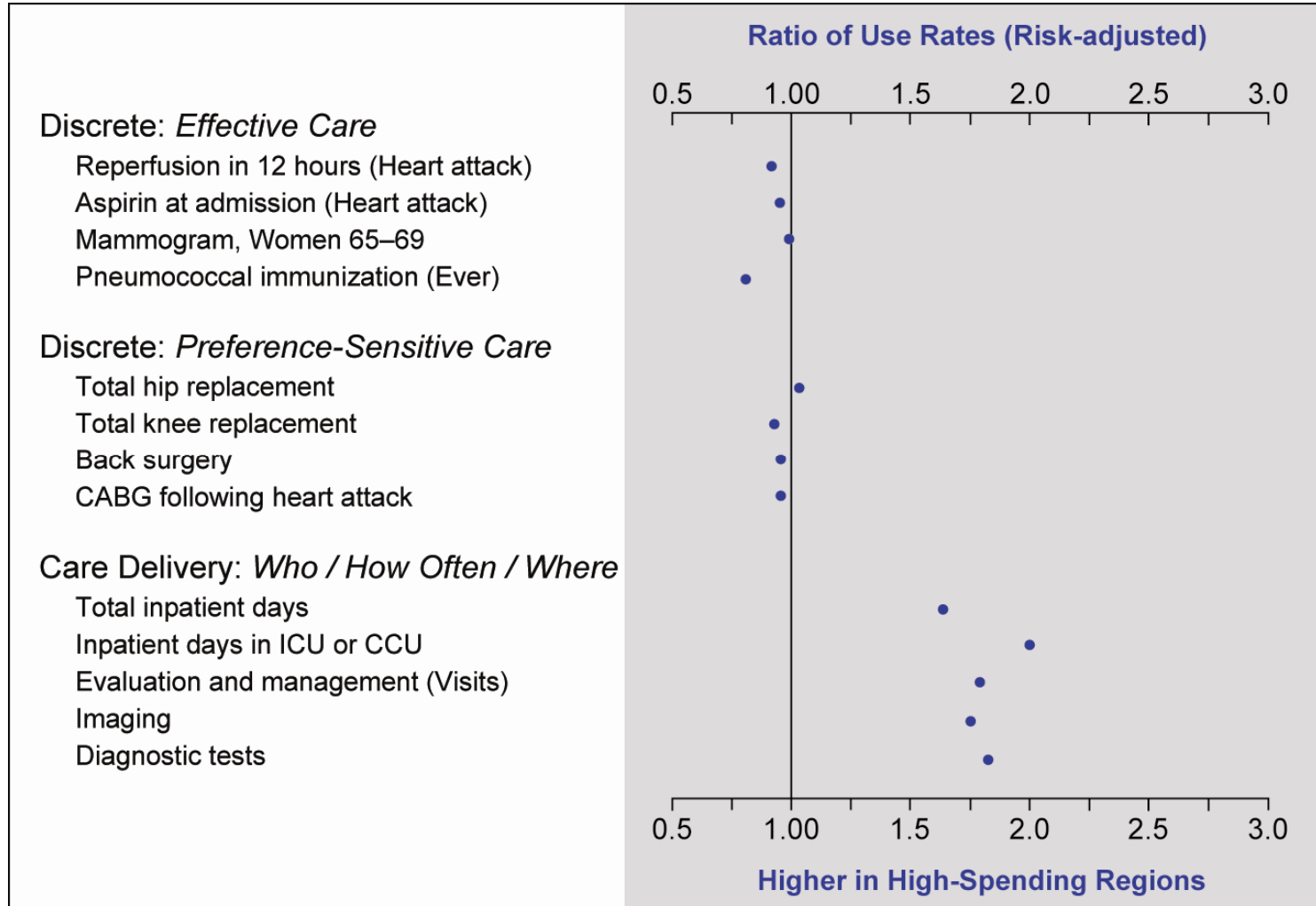
# Geographic Variation in Health Care Spending per Capita in Selected Countries



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

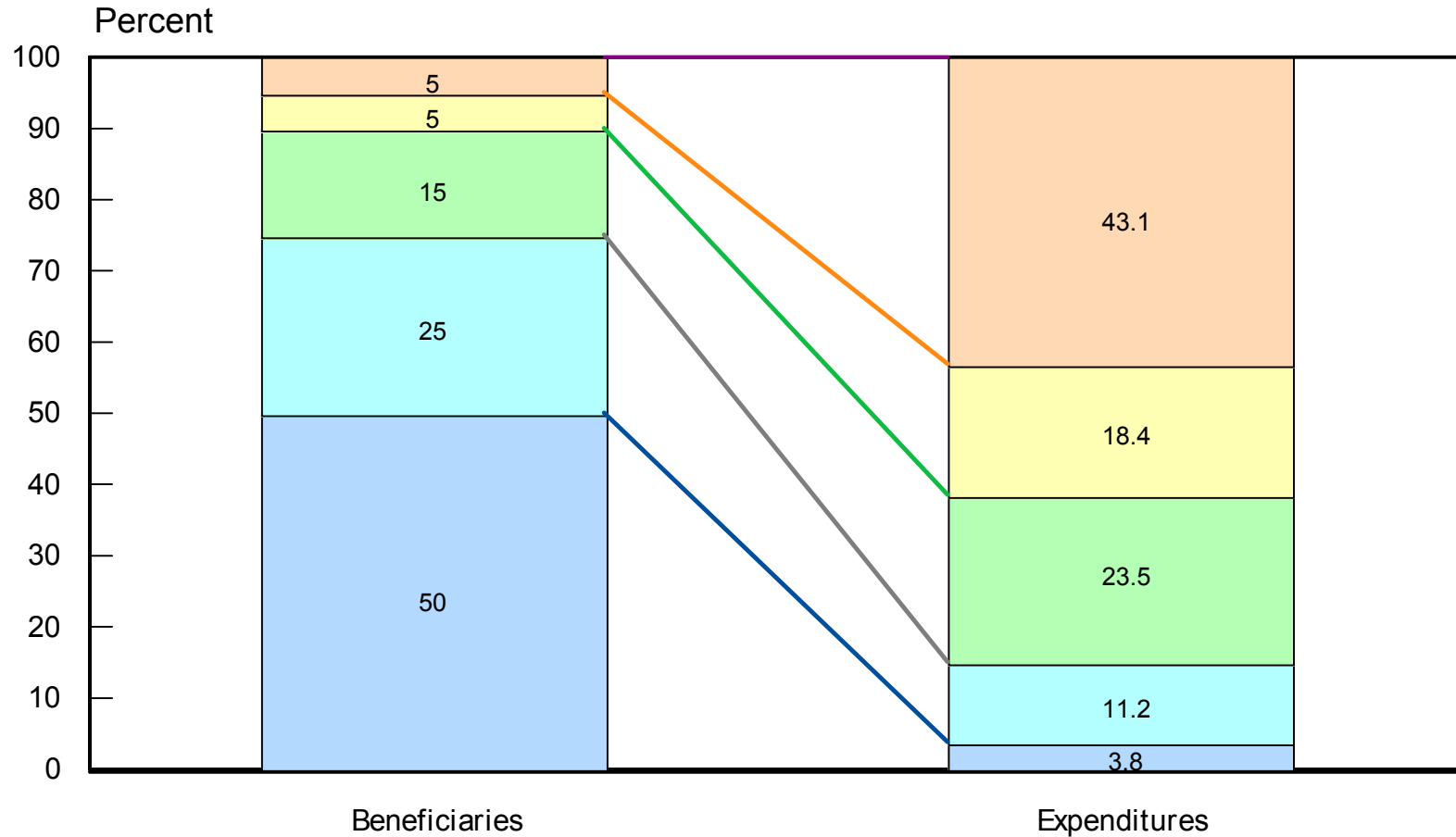


# What Additional Services Are Provided in High-Spending Regions?





# 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
  - Saliency of costs
- 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

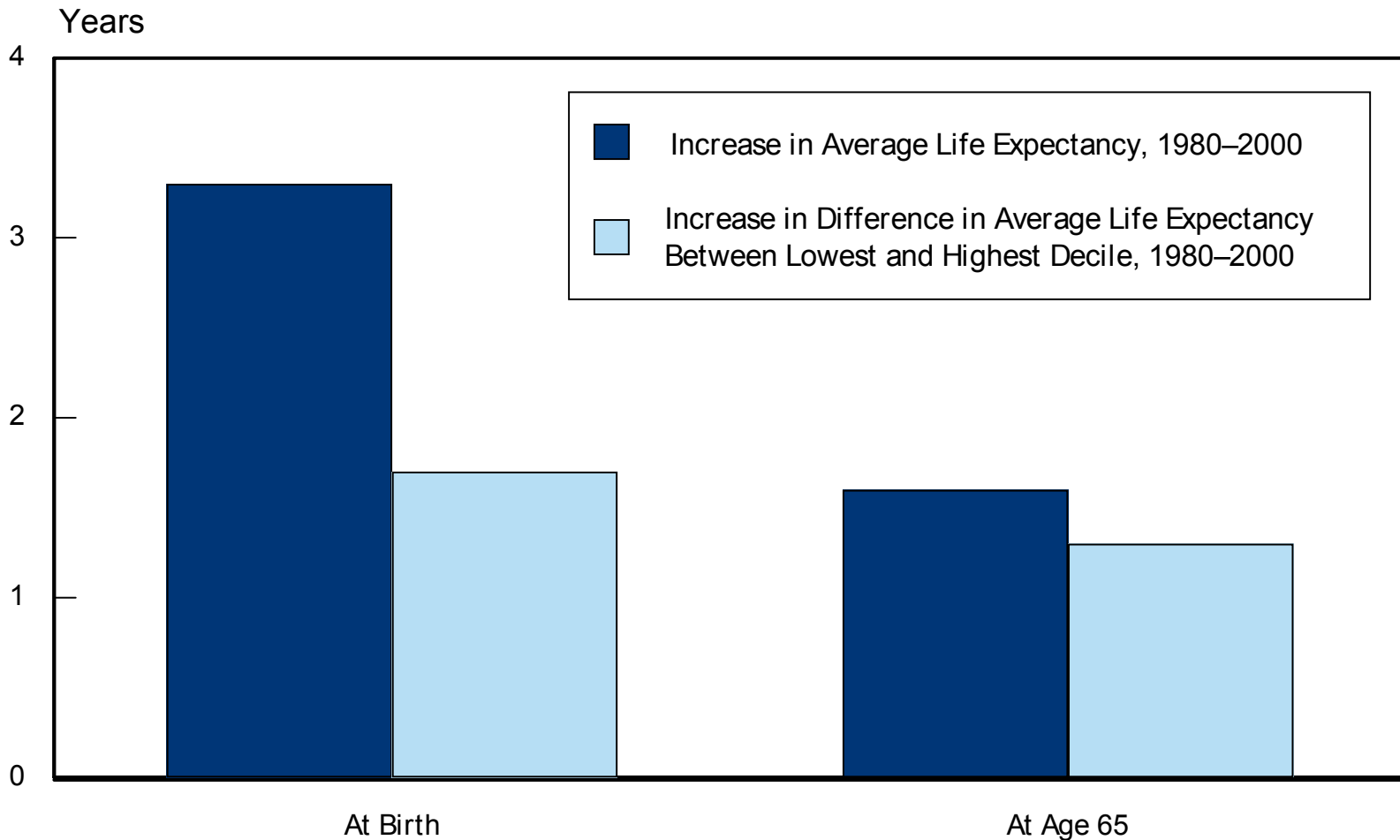


# CBO Health Activities

- **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.