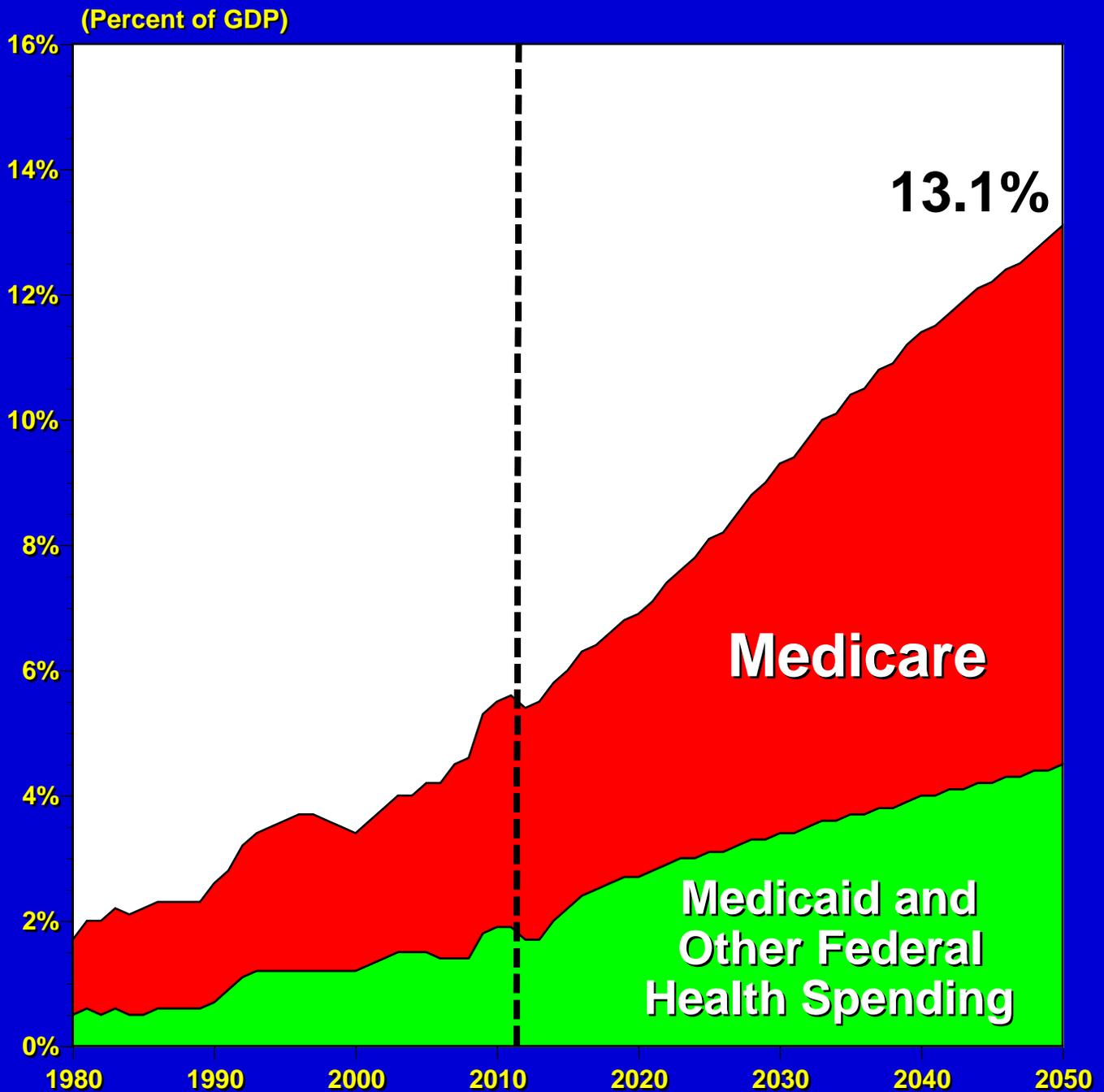


Medicare, Medicaid, and Other Federal Health Spending as % of GDP 1980-2050



Source: CBO Long-Term Budget Outlook, June 2011.

Note: CBO alternative fiscal scenario; reflects gross spending on Medicare, Medicaid, CHIP, and outlays for health insurance subsidies through exchanges.

CBO Confirms that Health Reform Law Repeal Will Increase Deficit Over Long-Term

“... CBO estimates that enacting [Health Care Law Repeal] would increase federal deficits in the decade after 2019 by an amount that is in a broad range around one-half percent of GDP....

“For the decade beginning after 2021, the effect of [Health Care Law Repeal] on federal deficits as a share of the economy would probably be somewhat larger... [and] would probably continue to increase budget deficits relative to those under current law in subsequent decades.”

**– CBO Letter to Speaker Boehner on H.R. 2
January 6, 2011**

CBO: Health Care Reform Repeal Would Increase Deficits by 0.5 Percent of GDP in Second Ten Years

**0.5% of GDP in
2020 - 2029 = \$1.3 Trillion**

Sources: CBO, SBC

Note: \$1.3 trillion figure is SBC calculation.

Delivery System Reforms in Health Care Reform

- **Accountable Care Organizations**
- **Primary Care Payment Bonus**
- **Readmissions**
- **Hospital Value-Based Purchasing**
- **Comparative Effectiveness Research**
- **CMS Innovation Center**
- **Independent Payment Advisory Board (IPAB)**
- **Bundling**

House Republican Health Care Plan

- **End Medicare as we know it**
 - replace with voucher system
 - reopen prescription drug “donut” hole
- **Block grant Medicaid**
 - shift costs onto seniors, children, disabled, states
 - end counter-cyclical nature of program
- **Defund health reform**
 - eliminate exchanges, affordability credits, expanded coverage
 - increase number of uninsured by at least 34 million

Former OMB Director Orszag on Slowing Medicare Spending

“And now for some good news: Medicare spending growth has been slowing noticeably. So far this fiscal year, expenditures have actually declined slightly, according to the Congressional Budget Office....

“We don’t yet have enough data to tell for sure what’s causing the recent deceleration in Medicare spending -- or whether it will last. But some evidence suggests it may be a shift toward value in the health-care sector. Various hospital executives have told me they have already begun to prepare for less generous reimbursement from Medicare as the new federal health-care-reform law takes effect and there is a greater focus on value. They are therefore trying to become more efficient now.”

– Former OMB Director Peter Orszag
Bloomberg Column, “Medicare Spending Slows as Hospitals Improve Care”
August 23, 2011

Options for Further Reforming Health Care

- **Transform payment policies in federal health programs**
 - Accelerate adoption of bundled payments to providers
 - Expand accountable care organizations
 - Reform cost-sharing
- **Reform health-related tax expenditures**
 - Modify health tax exclusion
 - Modify deduction for HSA/FSA contributions
- **Reduce administrative inefficiencies**
- **Further improve Health IT utilization**