

**Future Health Care Spending:  
Political Preferences and Fiscal Realities**

**Session V: 18<sup>th</sup> Princeton Conference**

**G. William Hoagland, M.S.**

**May 24, 2011**

**Council on Health Care Economics and Policy**



# U.S. Congress: 112th

**May 2011**

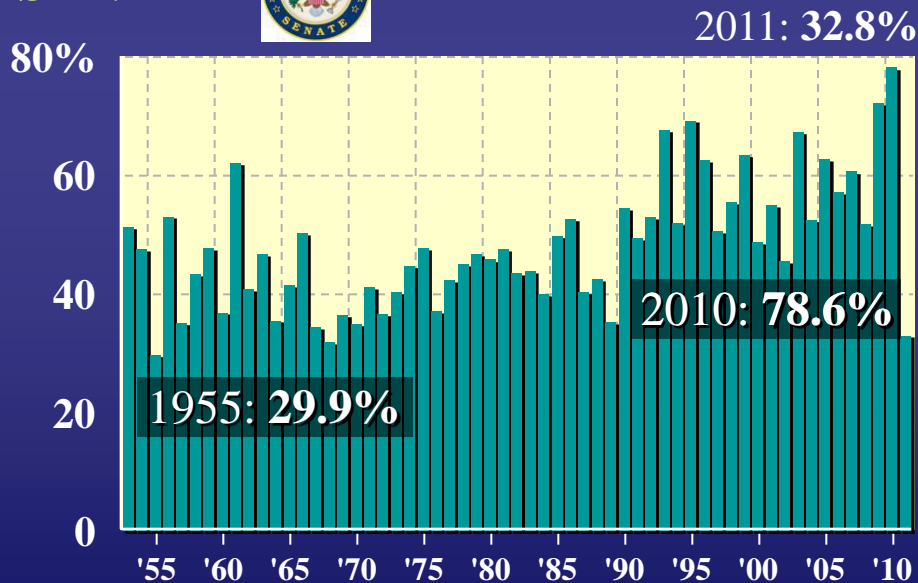


U.S. Congress	House			Senate		
	D	R	Margin	D+I	R	Margin
112 <sup>th</sup> (2011-2012)	191 Vacant 1	242 Vacant 1	R + 51	53	47	D/I + 6

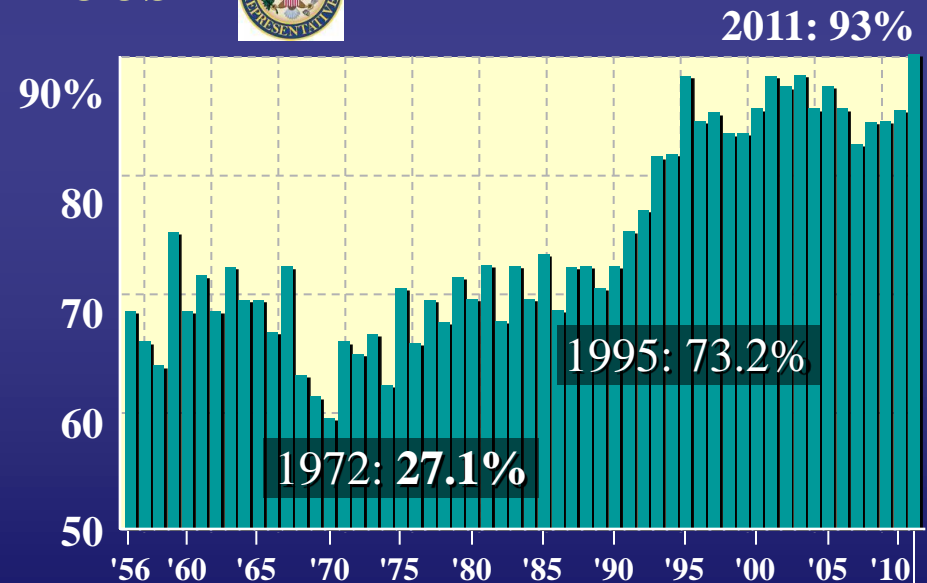
# Votes Dividing the Parties

Charting votes on which a majority of one party opposes a majority of the other shows that partisanship has been rising for decades; Senate agreements this year have kept it at bay.

## SENATE



## HOUSE



2011  
to date

# Political Environment 2012 Elections: 33 U.S. Senate Elections – 23 D and 10 R

Ratings Based on Polls as of May 13: **S = Solid** **P = Probable** **L = Lean** **TU = Toss Up**

## Incumbent Republicans (7)

Barrasso (WY) **S**  
Brown (MA) **TU**  
Corker (TN) **S**  
Hatch\* (UT) **S**  
Lugar (IN) **S**  
Snowe\* (ME) **P**  
Wicker (MS) **S**

## Incumbent Democrats (17)

Brown (OH) **L**  
Cantwell (WA) **P**  
Cardin (MD) **S**  
Carper (DE) **S**  
Casey (PA) **P**  
Feinstein (CA) **S**  
Gillibrand (NY) **S**  
Klobuchar (MN) **S**  
Manchin (WV) **TU**  
Menendez (NJ) **S**  
McCaskill (MO) **TU**  
Nelson (FL) **L**  
Nelson (NE) **TU**  
Sanders (VT) **S**  
Stabenow (MI) **P**  
Tester (MT) **TU**  
Whitehouse (RI) **S**

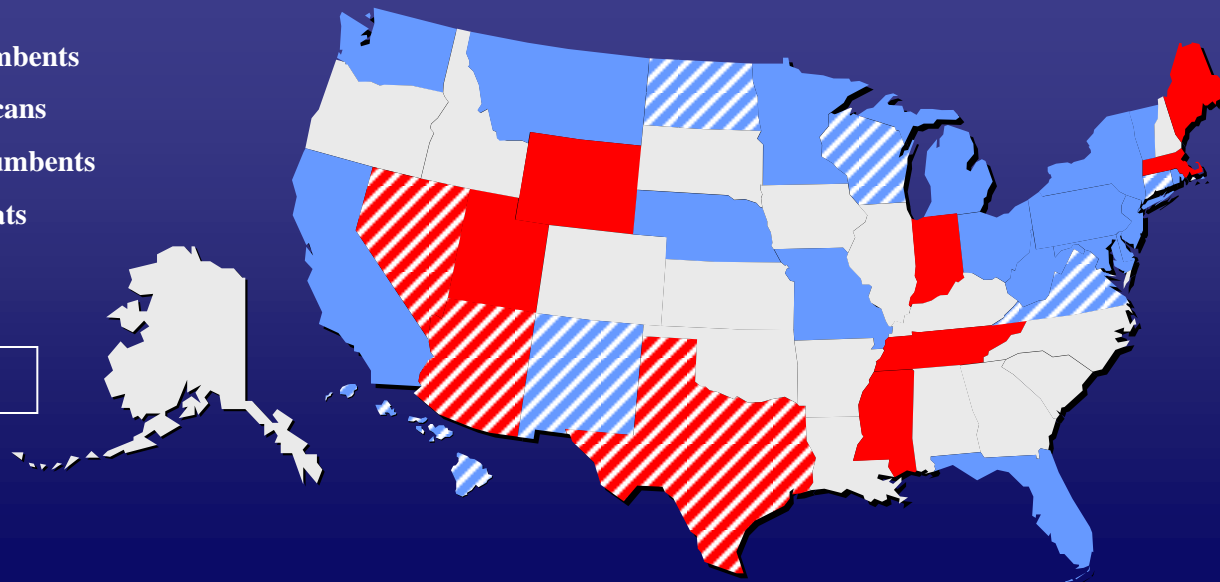
## Retiring Republicans (3)

Heller/Ensign (NV) **TU**  
Hutchison (TX) **P**  
Kyl (AZ) **P**

## Retiring Democrats (6)

Akaka (HI) **S**  
Bingaman (MN) **TU**  
Conrad (ND) **TU**  
Kohl (WI) **TU**  
Lieberman (CT) **P**  
Webb (VA) **TU**

- 7 Republican Incumbents
- ▨ 3 Retiring Republicans
- 17 Democratic Incumbents
- ▨ 6 Retiring Democrats
- No election



**Cook Political  
Report**

# Statutory Limits on Federal Debt

## Recent Changes in Limit:

( \$'s in billions)

<b>Statute</b>	<b>Date</b>	<b>Increased Limit To:</b>
121 Stat. 988	Sept 29, 2007	\$ 9,815.0
122 Stat. 2908	July 30, 2008	\$ 10,615.0
122 Stat. 3790	Oct 3, 2008	\$ 11,315.0
123 Stat. 366	Feb 17, 2009	\$ 12,104.0
123 Stat. 3483	Dec 28, 2009	\$ 12,394.0
124 Stat. 8	Feb 12, 2010	\$ 14,294.0

**As of May 16, 2011 Debt Subject to Limit = \$14,294.0**

**Limit reached on May 16 & U.S. Treasury now taking extraordinary procedures to delay default until August 2.**



# President's FY 2012 Budget Outlook

## FY 2009 – 2015

(In Billions of Dollars – % of GDP)

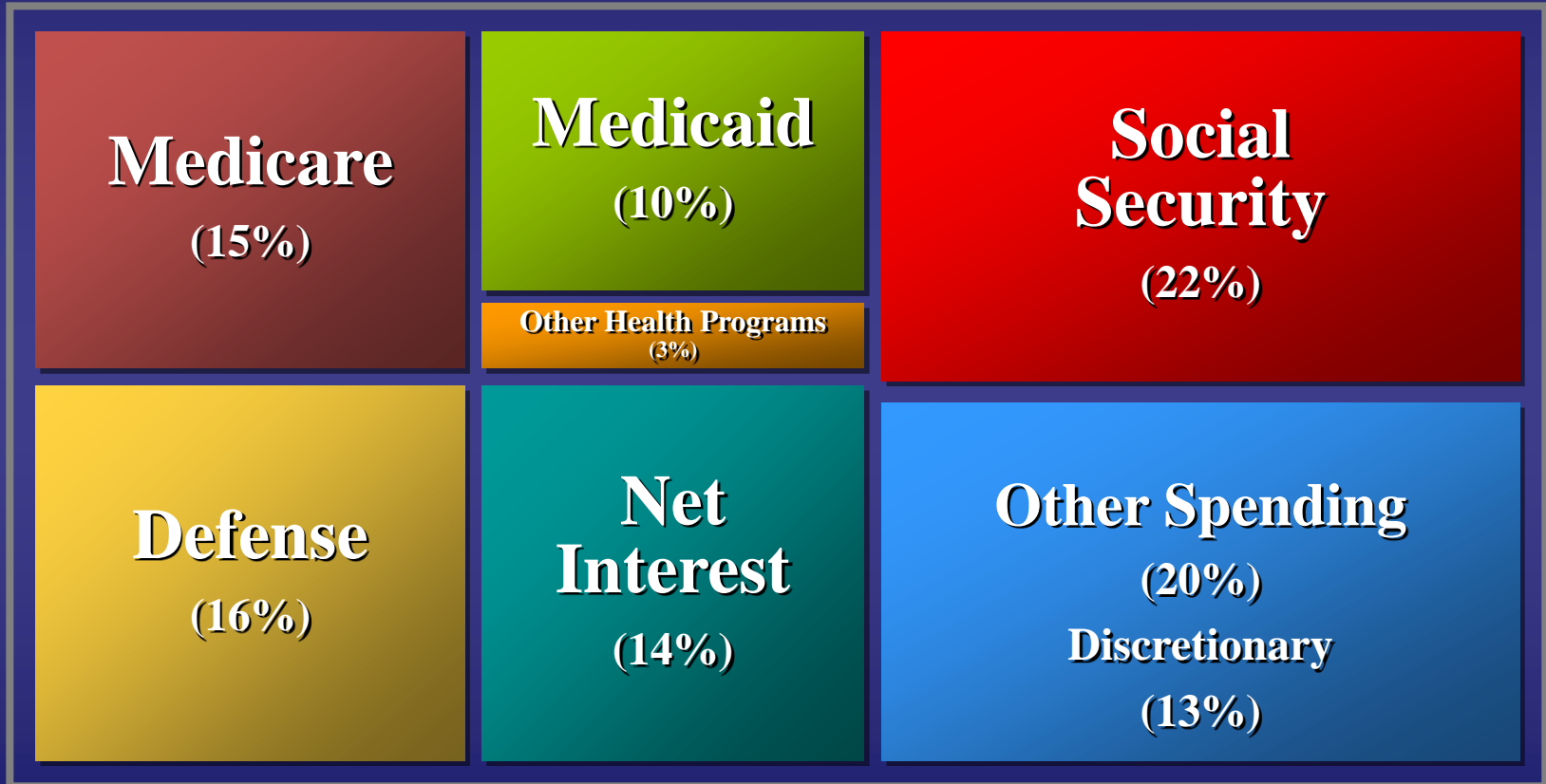


	<b>2009</b> Actual	<b>2010</b> Actual	<b>2011</b> Est	<b>2012</b>	2012 Budget Request		<b>2015</b>	<b>% Δ annual</b> <b>2010-2015</b>
					<b>2013</b>	<b>2014</b>		
<b>Receipts</b>	<b>2,105</b>	<b>2,163</b>	<b>2,229</b>	<b>2,544</b>	<b>2,899</b>	<b>3,212</b>	<b>3,442</b>	<b>+ 9.7 %</b>
<b>Spending</b>	<b>3,518</b>	<b>3,456</b>	<b>3,655</b>	<b>3,708</b>	<b>3,800</b>	<b>3,976</b>	<b>4,191</b>	<b>+ 3.9%</b>
<b>Deficits</b>	<b>1,413</b>	<b>1,294</b>	<b>1,425</b>	<b>1,164</b>	<b>901</b>	<b>764</b>	<b>748</b>	<b>NA</b>
<b>% of GDP</b>	<b>9.9%</b>	<b>8.9%</b>	<b>9.5%</b>	<b>7.4%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>NA</b>
<b>Public Debt</b>	<b>7,545</b>	<b>9,019</b>	<b>10,389</b>	<b>11,661</b>	<b>12,660</b>	<b>13,516</b>	<b>14,359</b>	<b>+ 9.7%</b>
<b>% GDP</b>	<b>53%</b>	<b>62%</b>	<b>69%</b>	<b>74%</b>	<b>77%</b>	<b>78%</b>	<b>79%</b>	
<b>Debt Subject to Limit*</b>	<b>11,853</b>	<b>13,511</b>	<b>15,459</b>	<b>16,638</b>	<b>17,737</b>	<b>18,748</b>	<b>19,764</b>	<b>+ 7.9%</b>
<b>% GDP</b>	<b>83%</b>	<b>93%</b>	<b>103%</b>	<b>105%</b>	<b>106%</b>	<b>105%</b>	<b>105%</b>	



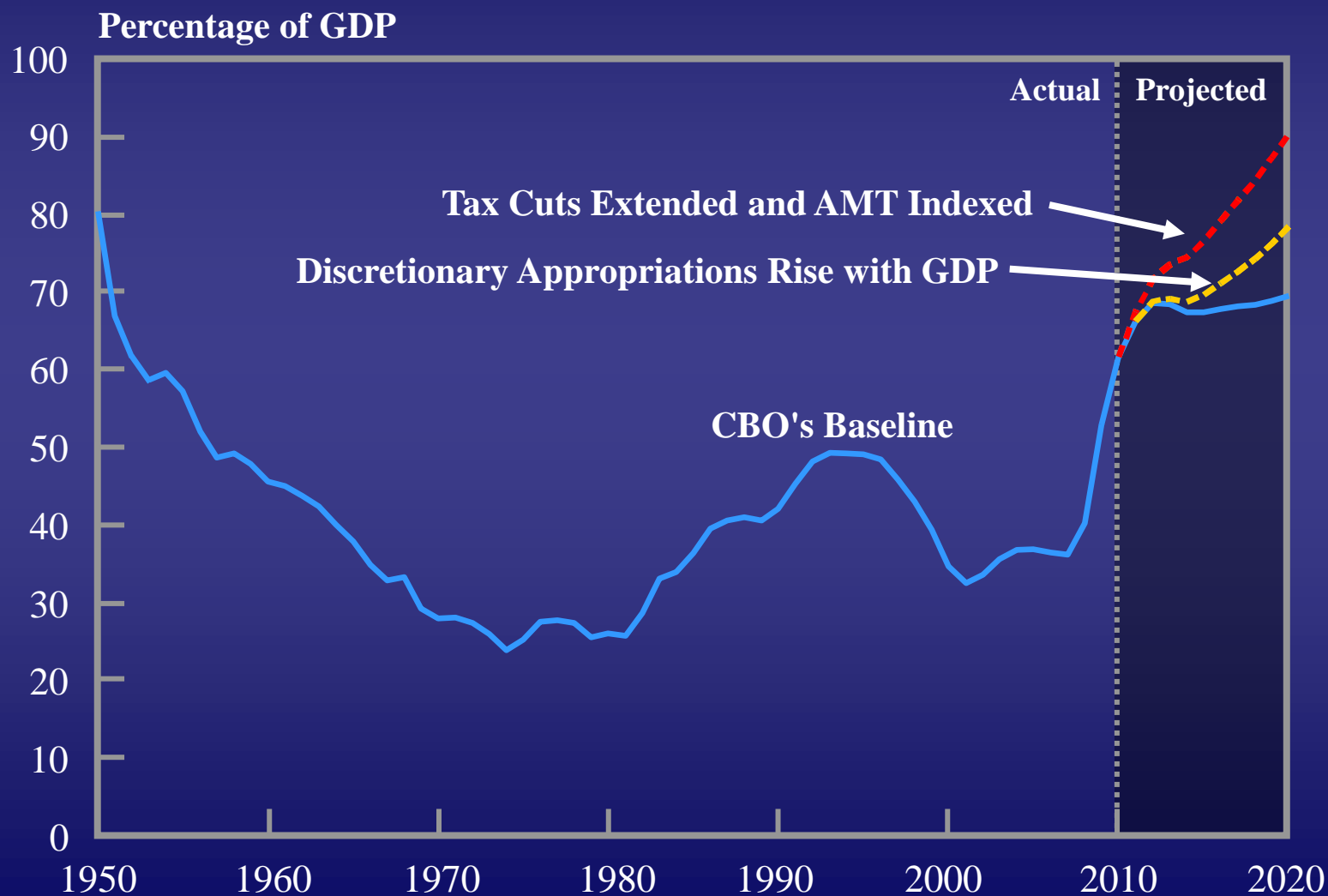
# Federal Spending Projected for 2020

CBO -- January 2011 Est.



“Other Health Programs” includes: Health insurance subsidies, exchanges, and related spending; Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); Children’s Health Insurance Program, and other programs.

# Rising Burden of Federal Debt Held by the Public

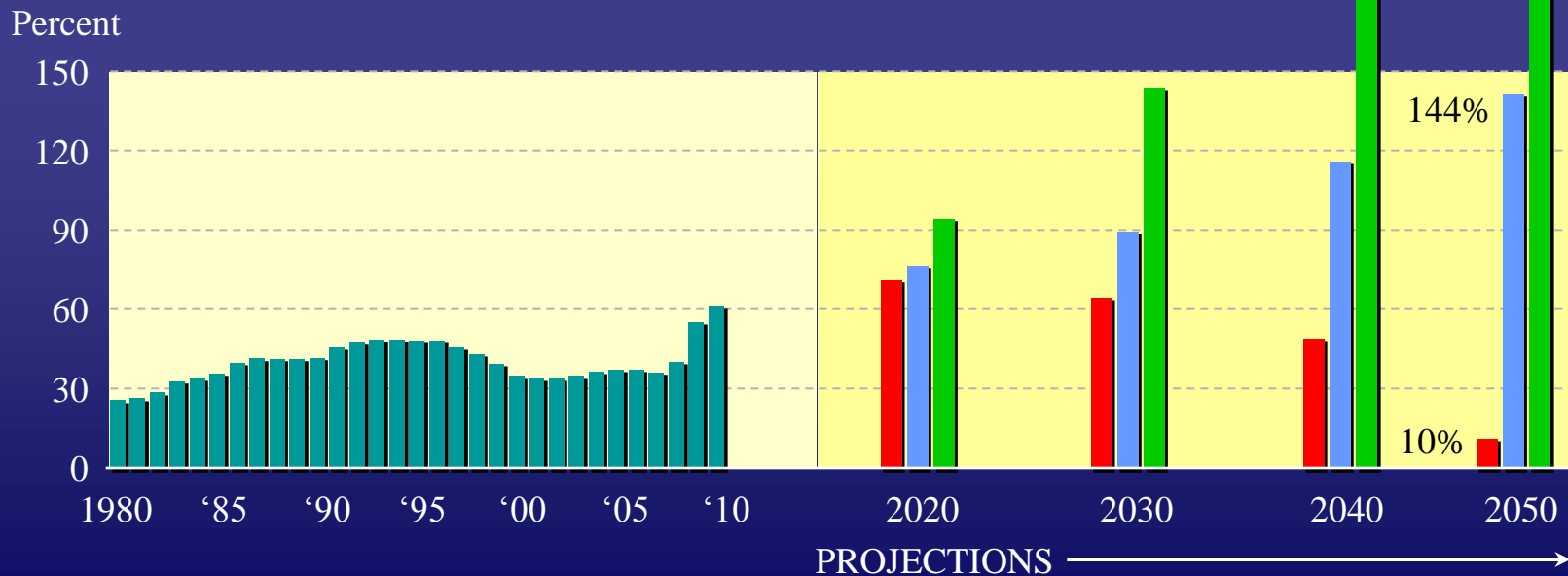




# Debt Scenarios Under Obama and Ryan Plans

## Federal debt held by the public as a share of GDP

The surging federal debt has spawned several ideas for reducing the red ink. Democrats and Republicans are at odds over proposals by House Budget Chairman Paul D. Ryan, R-Wis., and President Obama.



\*Assumptions include extension of the 2001 and 2003 tax cuts and gradual increase in Medicare physician payment rates.  
Sources: Office of Management and Budget; Congressional Budget Office, CQ Weekly, May 2, 2011, All rights reserved.

# Comparison: President Obama and Chairman Ryan FY 2012 Health Policy Proposals

## President Obama

- **Medicare**

- SGR relief thru 2013, freeze payment rates for next 10 years.
- Strengthen IPAD with automatic sequester.
- In 2018, strengthen IPAD with target annual Medicare spending growth per beneficiary GDP + 0.5%.
- Limit Rx payments via Medicare purchasing power.
- Improve patient safety via Partnership for Patients initiative.

- **Medicaid**

- Alter Federal matching rate with a single formula
- Close State loopholes that allow states to increase matching rates.

- **Estimated Budget Impact:**

- 2012-2021, **Cost** + \$250 billion (CBO)

## Chairman Ryan

- **Health Care General (2012)**

- Repeal most provisions of PPACA
- Repeal individual mandate
- Repeal CLASS program
- Repeal IPAD
- No SGR relief specified
- Retain Medicare Advantage savings
- Medical liability reform

- **Medicare (Post 2022)**

- Raise age of eligibility; 67 in 2033
- Persons turning 65 in 2022 not enroll in current Medicare program but be entitled to a premium support payment (~\$8,000) indexed for CPI-U, purchase private health insurance.

- **Medicaid (2013)**

- Block grant allocated to states, indexed for population growth and CPI-U.

- **Estimated Budget Impact:**

- 2012-2021, **Savings** \$2,204 billion (CBO)

# Comparison: FY 2012 Health Policy Proposals

## Bowles-Simpson

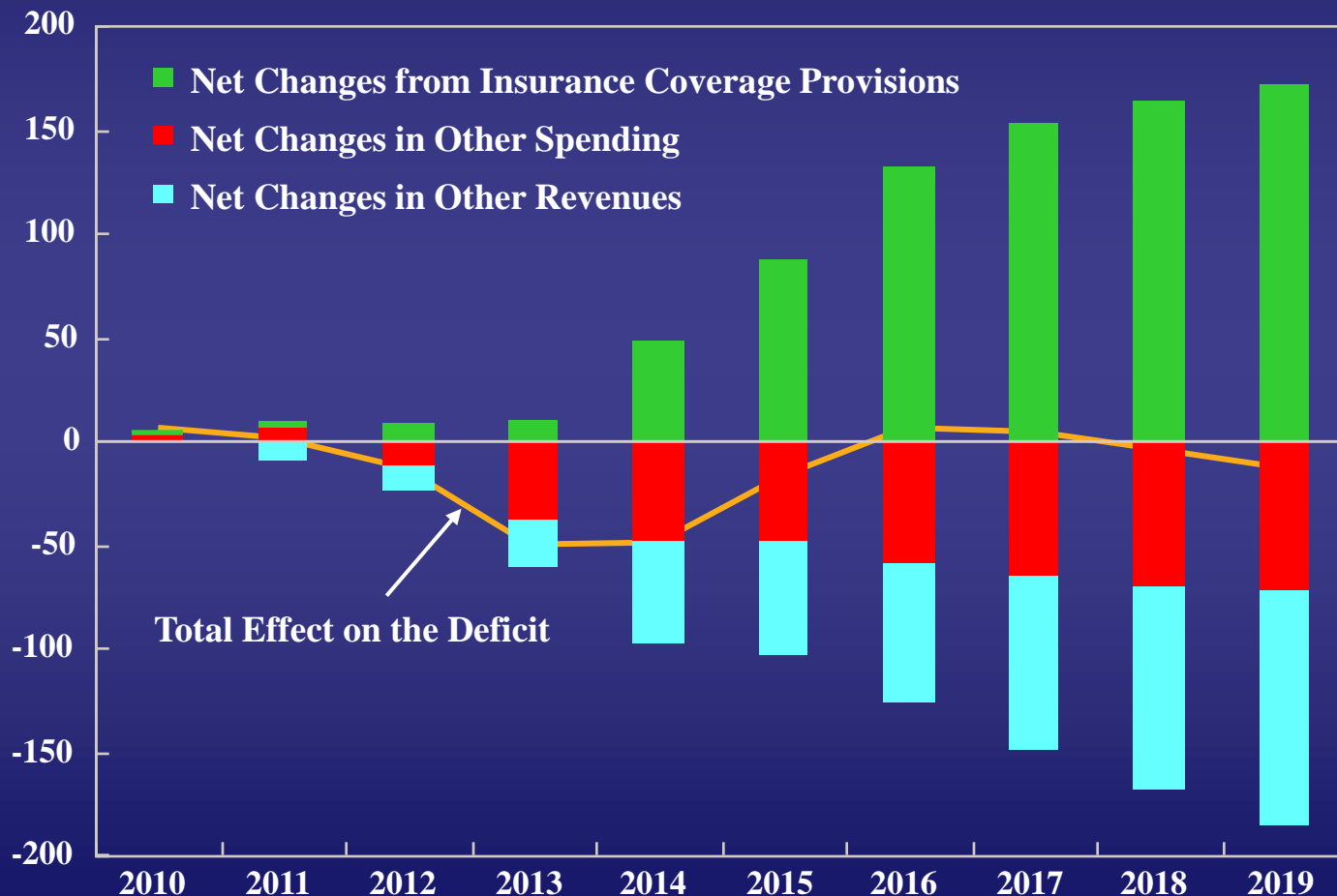
- **Health Care General (2012)**
  - SGR permanent fix.
  - Repeal CLASS Act.
  - Reform Medicare cost-sharing rules.
  - Limit Rx payments via Medicare purchasing power.
  - Medical liability reform.
  - Convert FEHB defined-benefit to defined contribution with support growing GDP +1 percentage pt. Determine if FEHB premium support should be expanded to Medicare.
- **Medicare (Post 2020)**
  - Strengthen IPAD.
  - Cap and phase out tax exclusion of employer-provided health insurance
  - Global cap on all federal health care spending in 2020 to limit growth to GDP+1 percentage pt. (No policies.)
- **Medicaid**
  - Expand managed care for dual eligible.
- **Estimated Budget Impact:**
  - 2012-2021, Savings \$341 billion (NCFRR)

## Domenici-Rivlin

- **Health Care General (2012)**
  - SGR permanent fix.
  - Medical liability reform.
  - Raise Part B Premiums 25 to 35%
  - Reform Medicare benefit package, e.g. annual one deductible \$560, 20% coinsurance to a max.
  - Bundle Medicare payments for Post-acute Care.
  - Excise tax 1 cent per ounce sweetened beverages.
- **Medicare (Post 2022)**
  - Transition to premium support, limit growth in per-beneficiary federal support to GDP+1 percent. --
  - Maintain traditional Medicare as default.
  - Cap and phase out tax exclusion of employer-provided health insurance.
- **Medicaid (2013)**
  - Expand managed care for dual eligible.
  - Restructure Medicaid responsibilities federal and state and limit growth to GDP + 1 percentage point.
- **Estimated Budget Impact:**
  - 2012-2021, Savings -\$250 billion (BPC)

# Effect on the Deficit: Main Elements of PPACA

Billions of Dollars



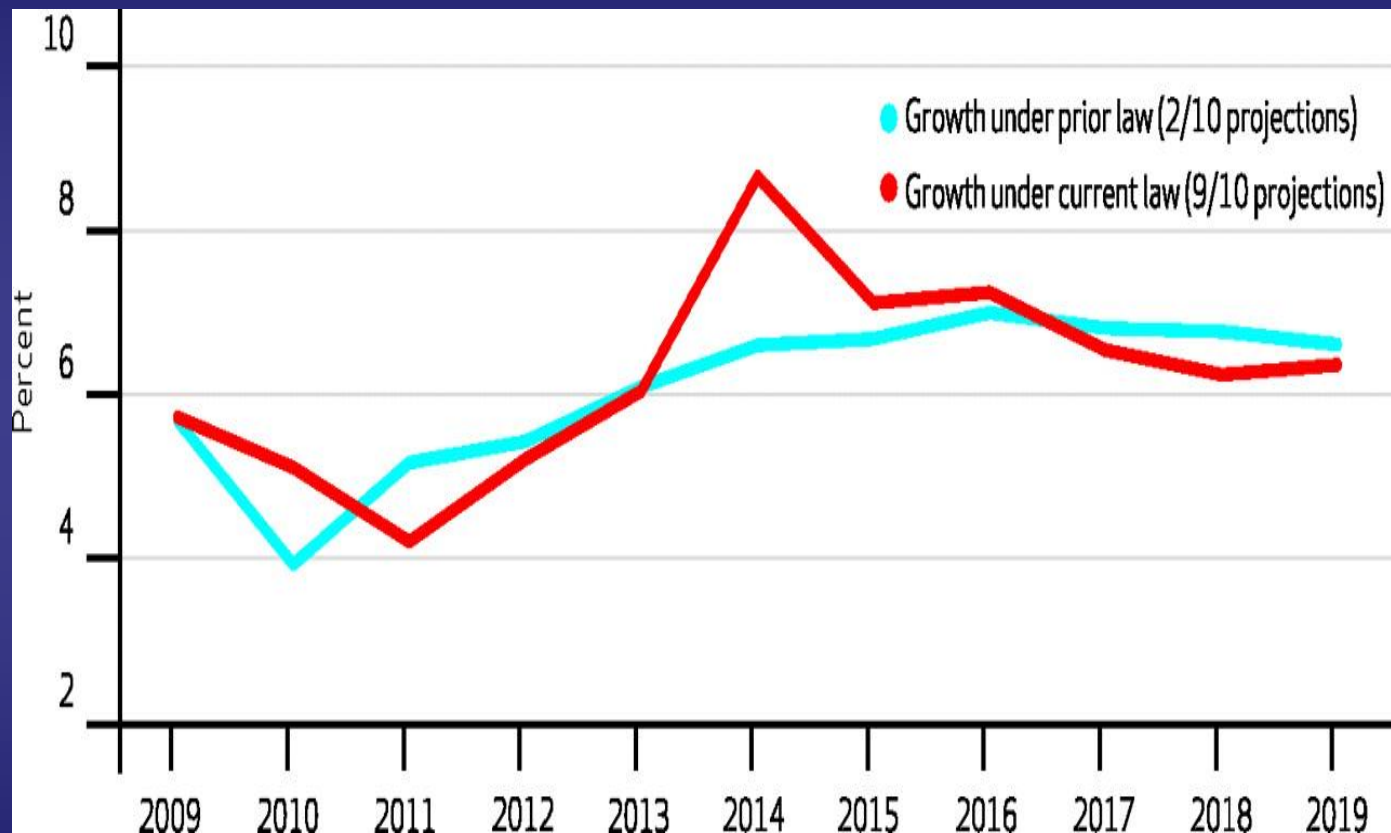
Source: Goldman Sachs based on CBO estimates.

Note: Figures exclude the effect of education provisions in the Reconciliation Act of 2010 (Public Law 111-152).

# Annual Growth Rates in National Health Expenditures

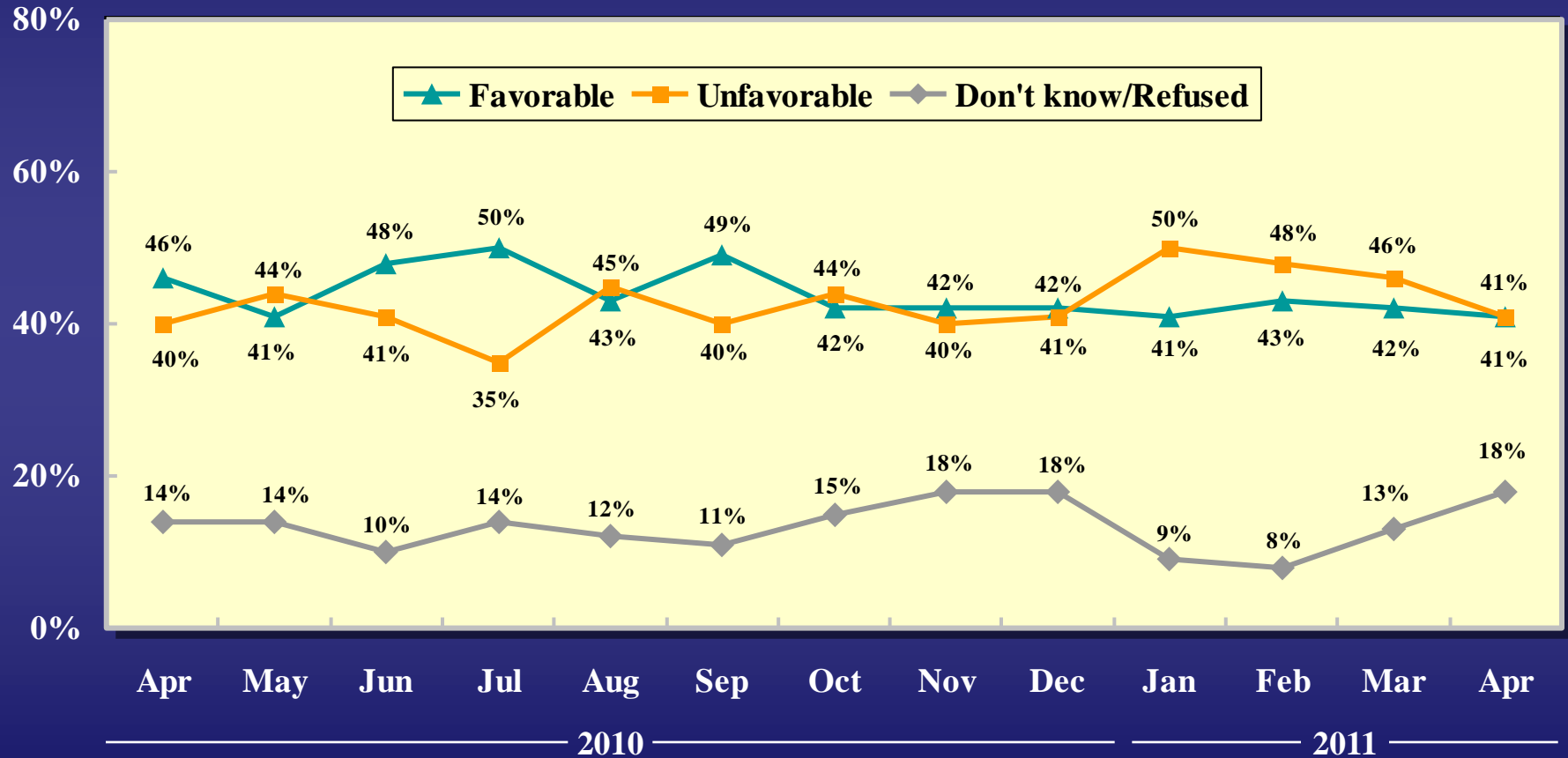
Current Law (PPACA) vs Prior Law

Health Affairs Journal, October 2010



Andrea M. Sisko, Christopher J. Truffer, Sean P. Keehan, John A. Poisal, M. Kent Clemens, and Andrew J. Madison,  
National Health Spending Projections: The Estimated Impact Of Reform Through 2019,  
Health Affairs, Vol 0, Issue 2010, hlthaff.2010.0788v1-101377201

# Views on Health Reform Remain Divided

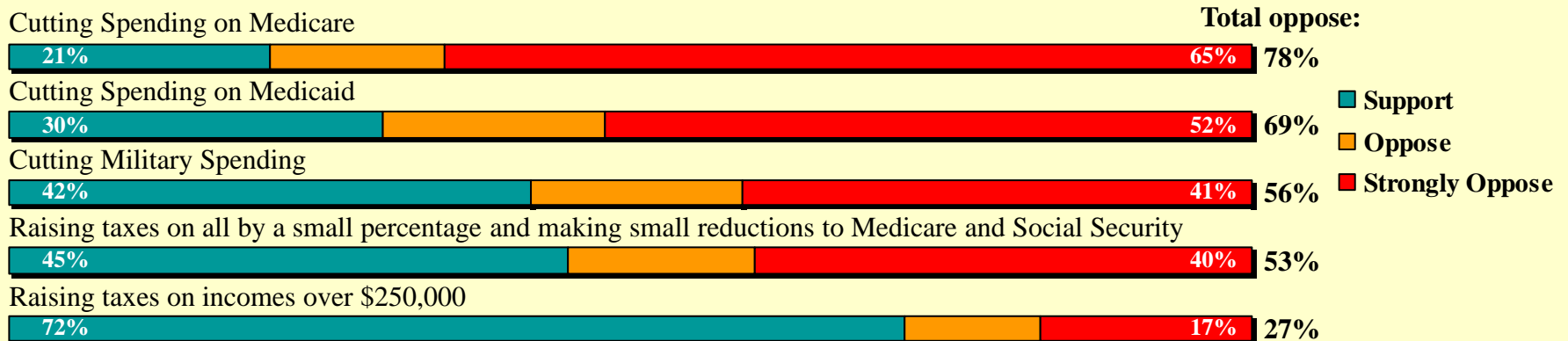


# A Reluctant Public for Change

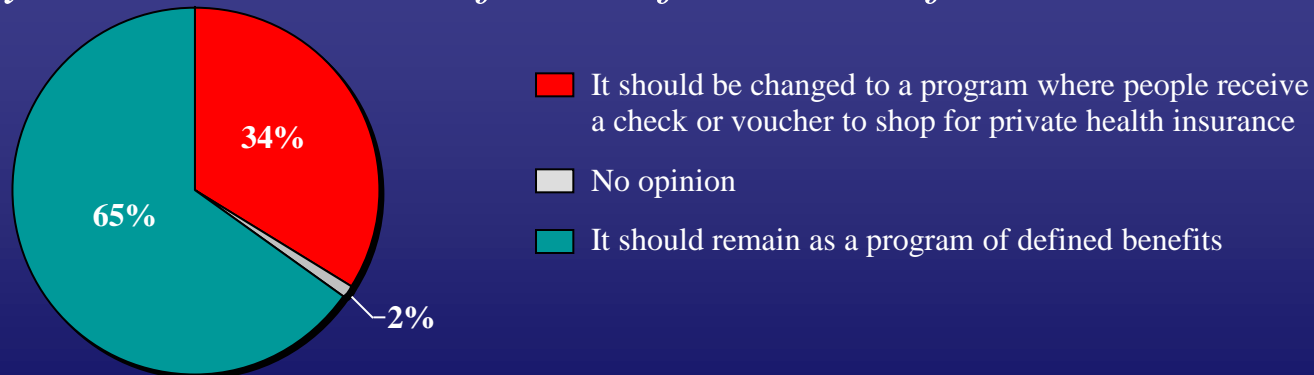
Washington Post – ABC News Poll

(April 14-17, 2011)

*Q: In order to reduce the national debt, would you support or oppose . . . ?*



*Q: What is your view about the future of Medicare for senior citizens?*



NOTE: Total may not add up to 100 percent because of rounding or not showing "no opinion" data.

Source: Washington Post-ABC News poll was conducted by telephone April 14 to 17, among a random national sample of 1,001 adults, including users of both conventional and cellular phones. The results from the full survey have a margin of sampling error of plus or minus 3.5 percentage points. Sampling, data collection and tabulation by TNS of Horsham, PA.



# Health Care Reform Court Rulings & Possible Schedule May 2011

## FIRST ROUND



**Jan. 31, 2011**  
**Northern District of Florida**  
Republican appointee  
Florida v. Dept. of Health  
and Human Services

Judge Roger Vinson declared the individual mandate unconstitutional saying the requirement is 'not severable' from the rest of the law.



**Dec. 13, 2010**  
**Eastern District of Virginia**  
Republican appointee  
Virginia v. Sebelius

Judge Henry E. Hudson ruled that the individual mandate is unconstitutional, saying the provision 'would invite unbridled exercise of federal police power.'



**Nov. 30, 2010**  
**Western District of Virginia**  
Democratic appointee  
Liberty University  
v. Geithner

Judge Norman Moon ruled that by forgoing insurance, plaintiffs are 'making an economic decision to try to pay for health care services later, out of pocket.'



**Oct. 7, 2010**  
**Eastern District of Michigan**  
Democratic appointee  
Thomas More Law Center  
v. Obama

Judge George Steen found that the requirement to carry insurance or pay a fine was 'essential to the larger regulatory scheme' of the health overhaul.



**Feb. 22, 2011**  
**District of Columbia**  
Democratic appointee  
M. Mead, et al. v Eric Holder

Judge upheld the individual mandate.

## SECOND ROUND

11<sup>th</sup> U.S. Circuit Court of Appeals  
(Atlanta, GA)

### Judges

5 Democratic appointees 6 Republican appointees

**Expedited Review**  
**Oral Arguments: June 6**

Fourth U.S. Circuit Court of Appeals  
(Richmond, VA)

### Judges

9 Democratic appointees 8 Republican appointees

**Oral Arguments: May 10**

Sixth U.S. Circuit Court of Appeals  
(Cincinnati, OH)

### Judges

10 Democratic appointees 19 Republican appointees

**Oral Arguments: June 1**

Too recent for an appeal to have been filed.

## THIRD ROUND

### U.S. Supreme Court

Ruling not expected until 2011-12  
Supreme Court term at earliest

### Judges

4 Democratic appointees 5 Republican appointees



Other lawsuits in district courts around the country may eventually go to other appeals courts and perhaps the Supreme Court.

Note: Appeal first heard by three-judge panel, then possibly later by full slate of judges; counts include judges with senior status.



Upheld



Overturned