Where Do We Go From Here? The Future of Health Reform

Comments
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The United States faces a formidable budget challenge...

...and that problem is mostly a health cost problem

Wrong!!
The United States faces two formidable budget challenges.

Challenge 1: Reduce deficits soon and enough to prevent a rising debt/GDP ratio from threatening economic stability.

Challenge 2: Reform health system (or health system and pensions) to prevent these outlays from coming to comprise too large a share of GDP.

These two challenges are almost completely independent, and the first is not a health problem at all.
Where challenge 1 comes from

Challenge 1: Reduce deficits *soon* and *enough* to prevent a rising debt/GDP ratio from threatening economic stability.

**Timetable** - 10-12 years (less in some plans)

- Debt/GDP > 100% by ~2022-2024

**Budget breakdown** (as percent of non-interest spending, 2011)

- Social Security: 21%
- M&M: 24%
- Other mandatory: 15%
- Defense: 20%
- Non-defense discretionary: 19%

Need to cut deficit 4-5 percent of GDP

- *Social Security* will contribute ~ *nothing*
- M&M will contribute at most 1 percent
- Deficit reduction must come from cuts in... or from increased taxes
Challenge 2: reform health system (or health system and pensions) to prevent public spending from absorbing too large a share of GDP

Even long-term savings from cuts in Social Security will be small

☐ not because it is a ‘third rail’
☐ but because benefits are meager

Savings from cuts in Medicare and Medicaid will also be slow in coming...

Some savings in Medicare possible: income related premiums, drug prices, merge parts A and B

CMS projections of the impact of the ACA

Later savings will depend on success of ACA (or alternative)

provided that the nation sustains its commitment to assure standard care to the elderly, disabled, and poor
Is

“putting everything on the table”

the best way to get a budget deal

...or health system reform?