The Federal Budget & Health Care Reform

The 24th Princeton Conference
Session III: Possible Medicare Changes

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Recession as announced by National Bureau of Economic Research

Federal Spending Projected for 2027

Medicare (18%)

Medicaid (10%)

Social Security (26%)

Defense (11%)

Net Interest (12%)

Other Mandatory Spending (11%)
Domestic Discretionary (11%)
Agriculture (0.2%)

“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.

Federal Spending as a Share of the Economy 1980 – 2050

SOURCE: Congressional Budget Office, Historical Budget Data; January 2015, and The 2015 Long-Term Budget Outlook, June 2015; and PGPF projections based on CBO data. Calculated by PGPF.
NOTE: Projections are from the extended baseline scenario. Major health programs include Medicare, Medicaid, Children’s Health Insurance Program (CHIP), and the health exchanges.
## Mandatory Expenditures
(Outlays by FY, Billions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2017</th>
<th>2027</th>
<th>Avg. Annual Growth 2017-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medicare</strong></td>
<td>634</td>
<td>705</td>
<td>1,402</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Medicare Offsetting Receipts</strong></td>
<td>-94</td>
<td>-113</td>
<td>-237</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>Medicaid</strong></td>
<td>350</td>
<td>389</td>
<td>650</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Health Insurance Subsidies</strong></td>
<td>38</td>
<td>51</td>
<td>106</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>Children’s Health Insurance Program</strong></td>
<td>9</td>
<td>15</td>
<td>6</td>
<td>-8.7%</td>
</tr>
<tr>
<td><strong>Total Major Health Care</strong></td>
<td>937</td>
<td>1,047</td>
<td>1,927</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total Federal Mandatory Spending</strong></td>
<td>2,299</td>
<td>2,484</td>
<td>4,305</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Health Care as % Total Mandatory</strong></td>
<td>41%</td>
<td>42%</td>
<td>45%</td>
<td>---</td>
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</tbody>
</table>


GDP projected to increase 3.9% annually over the decade.
Causes of Projected Spending Growth in Social Security and the Major Health Care Programs in CBO’s Extended Baseline

Distribution of Medicare Fee-for-Service Beneficiaries & Medicare Spending by Number of Chronic Conditions: 2015

- 36% of Beneficiaries
- 76% of Spending with 4 or more CCCs

Source: CMS 2015
Year-to-Year Changes in Medicare Per Capita Spending by Program

Avg. Annual Rate of Growth
2007-2015 = 2.5%

Proj. Avg. Annual Rate of Growth
2015-2023 = 4.3%

Sources of Medicare Financing, 2015