



Congressional Budget Office

Presentation to the American Enterprise Institute

Health Care Issues and Challenges for Reform

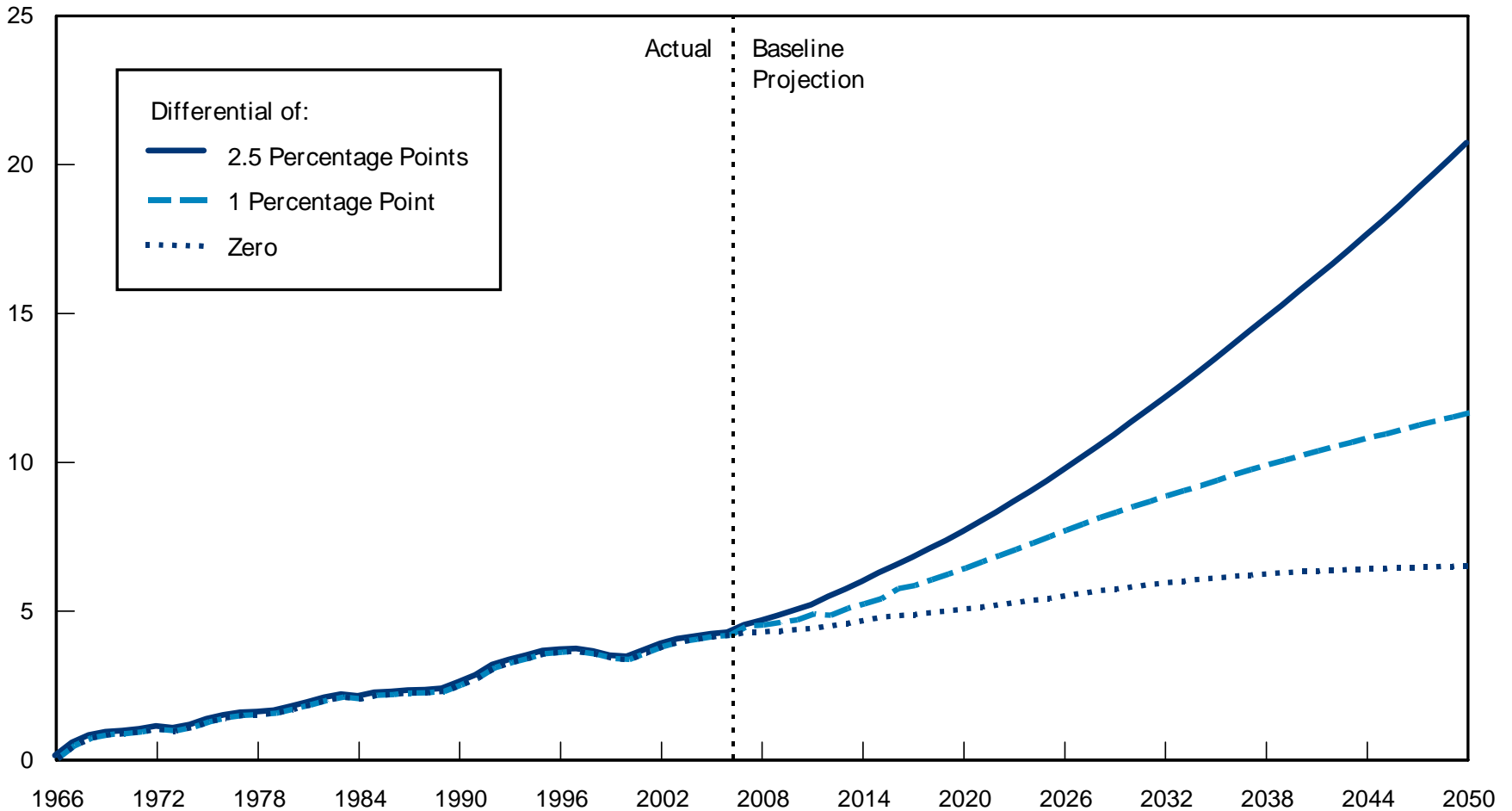
**Peter R. Orszag
Director, Congressional Budget Office**

July 17, 2007



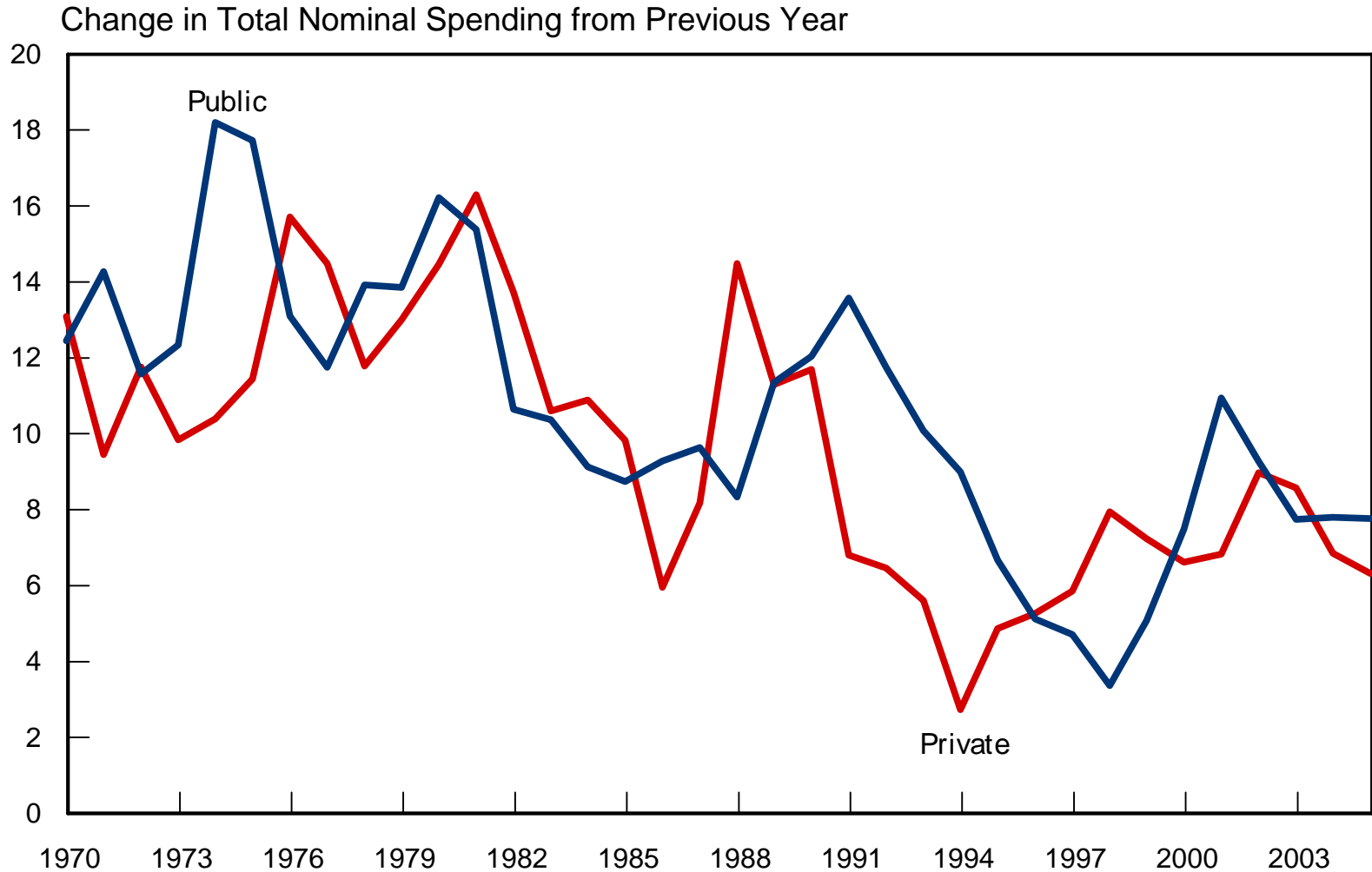
Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential

Percent of Gross Domestic Product





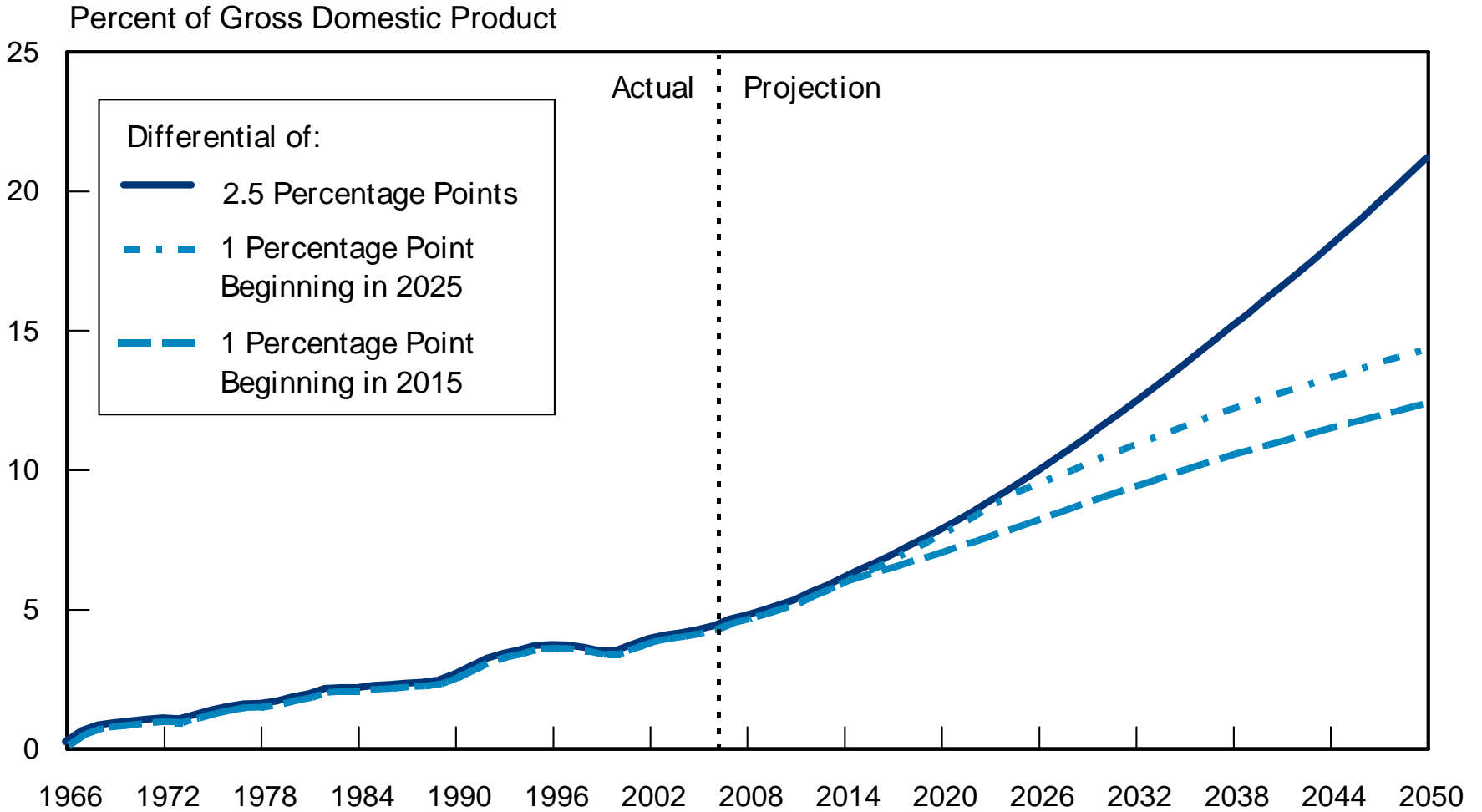
Annual Growth Rates of Private and Public Health Care Spending



Source: CMS's data on national health expenditures.

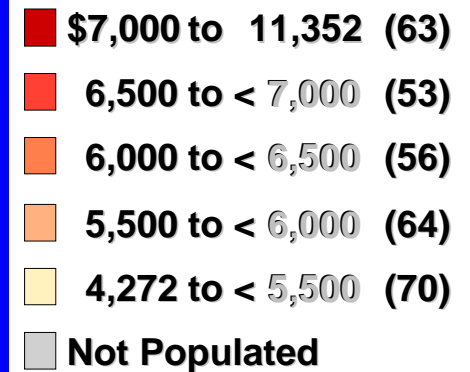
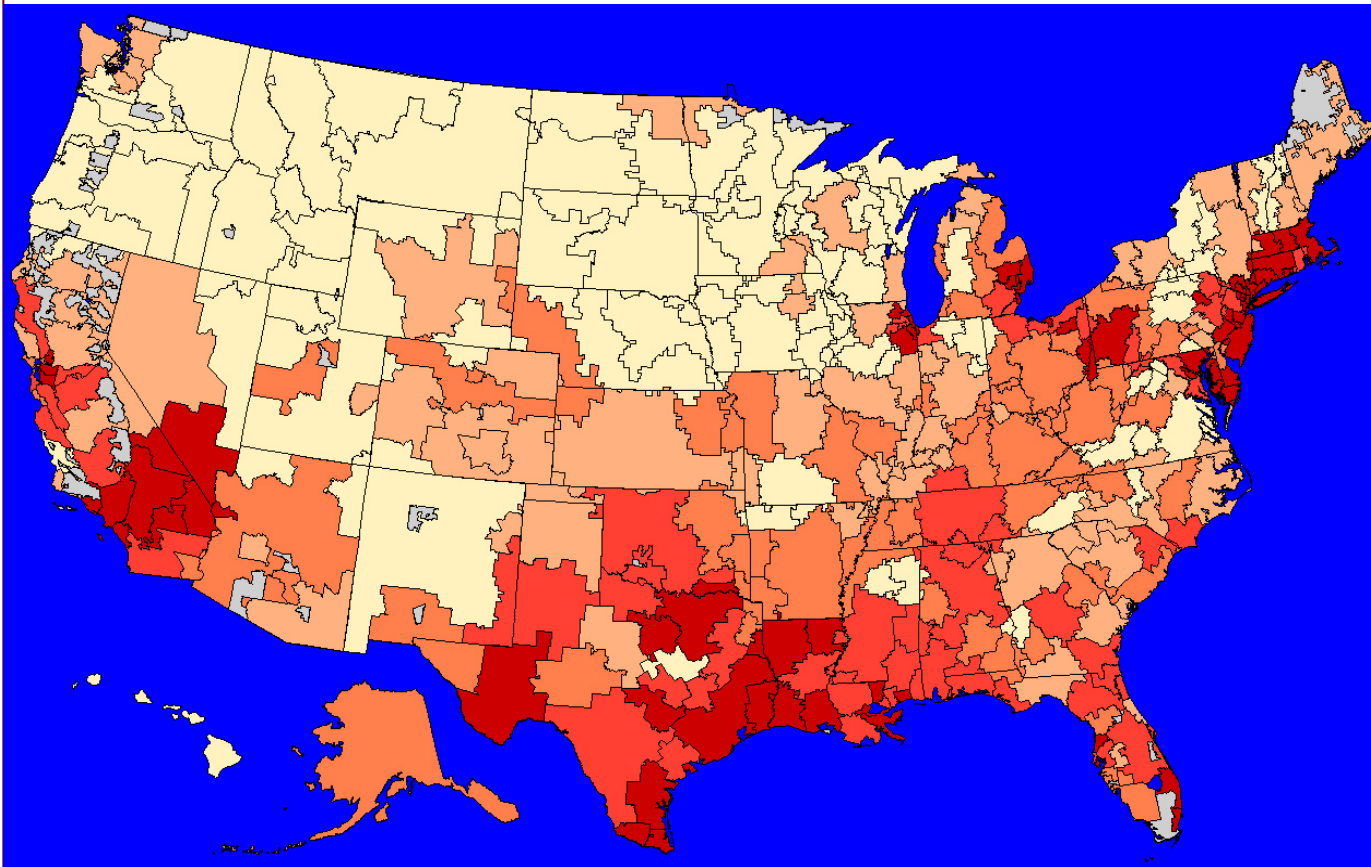


Effects of Slowing the Growth of Spending for Medicare and Medicaid





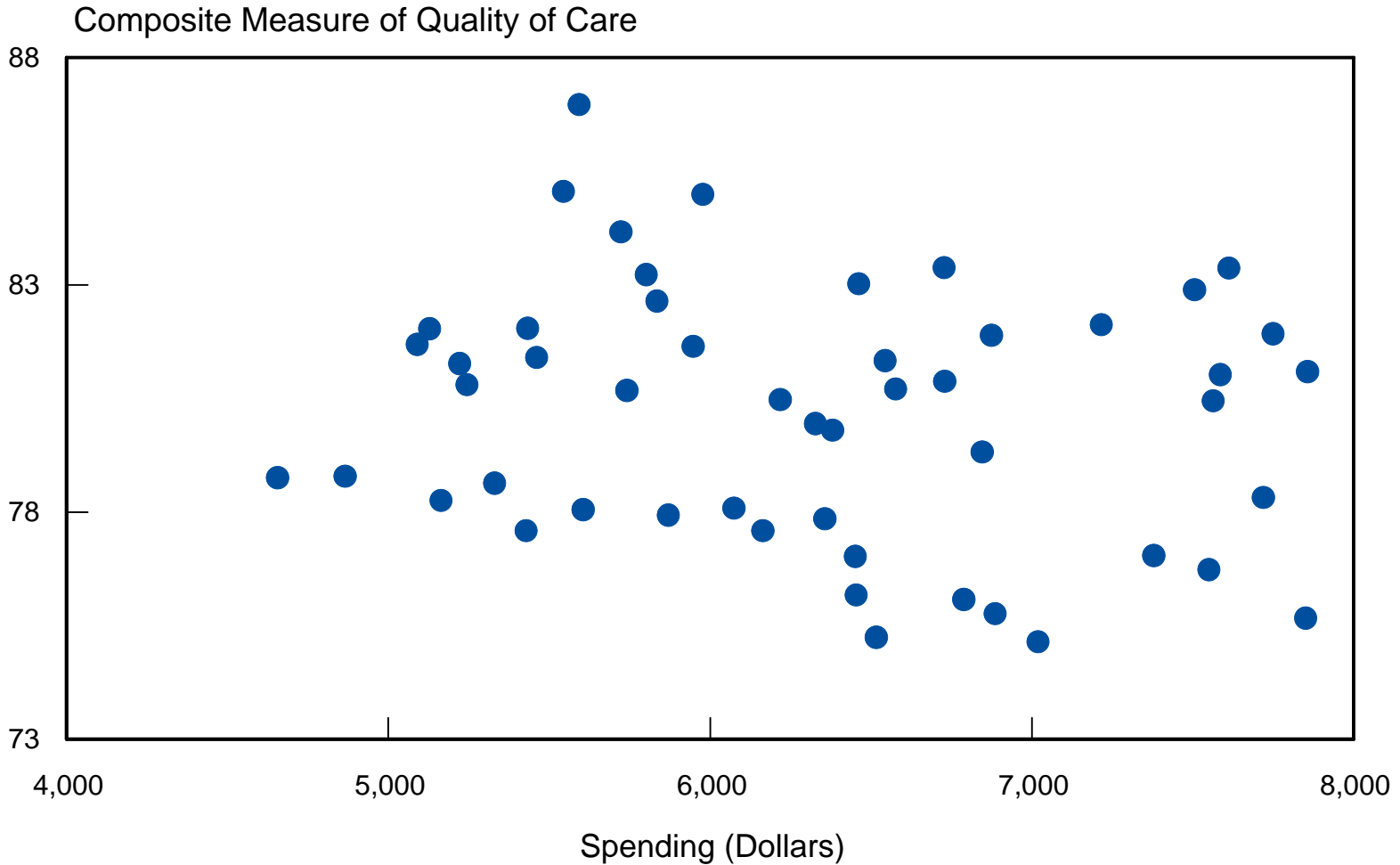
Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: www.dartmouthatlas.org



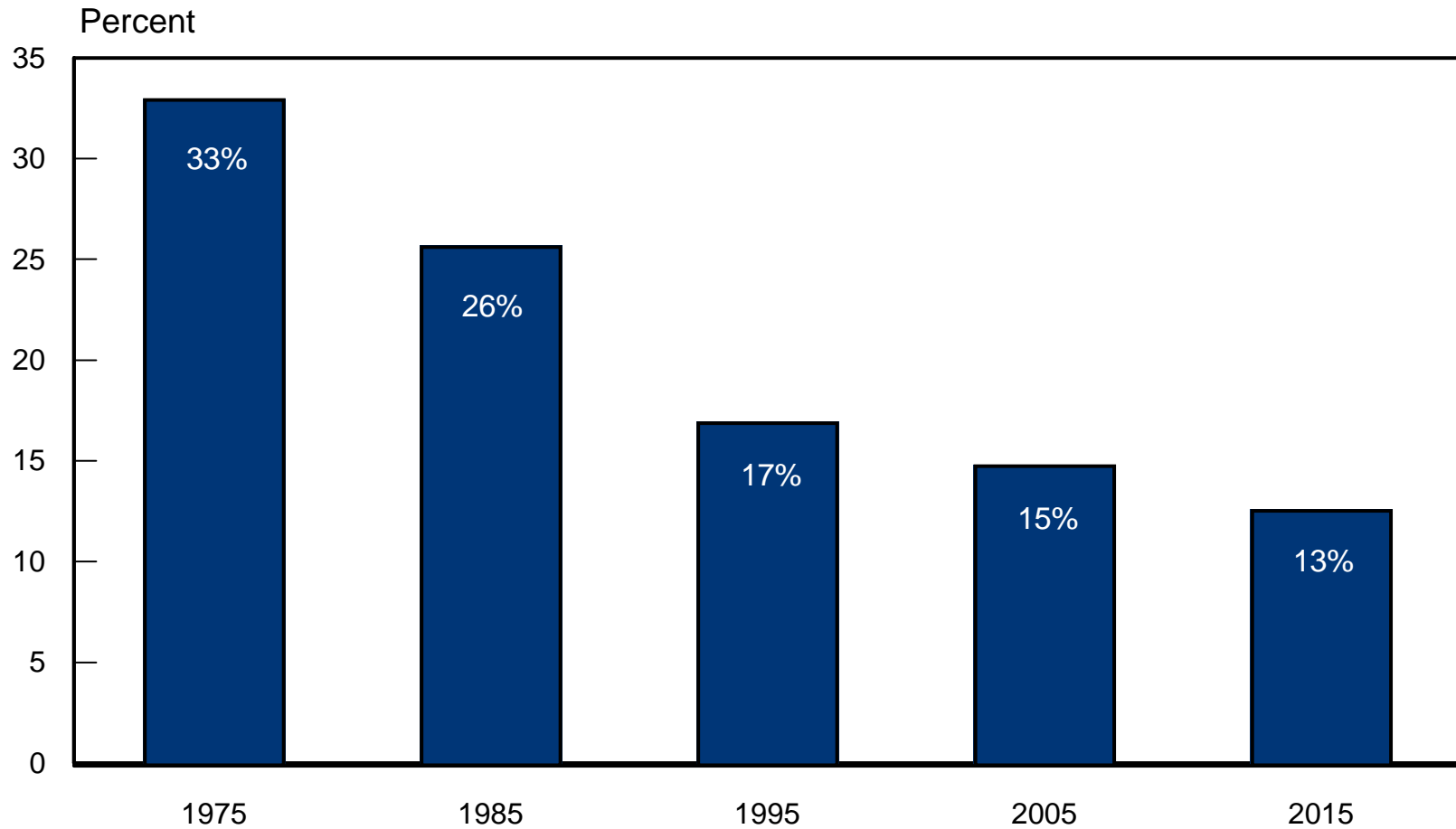
The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.



Share of Personal Health Care Expenditures Paid Out of Pocket



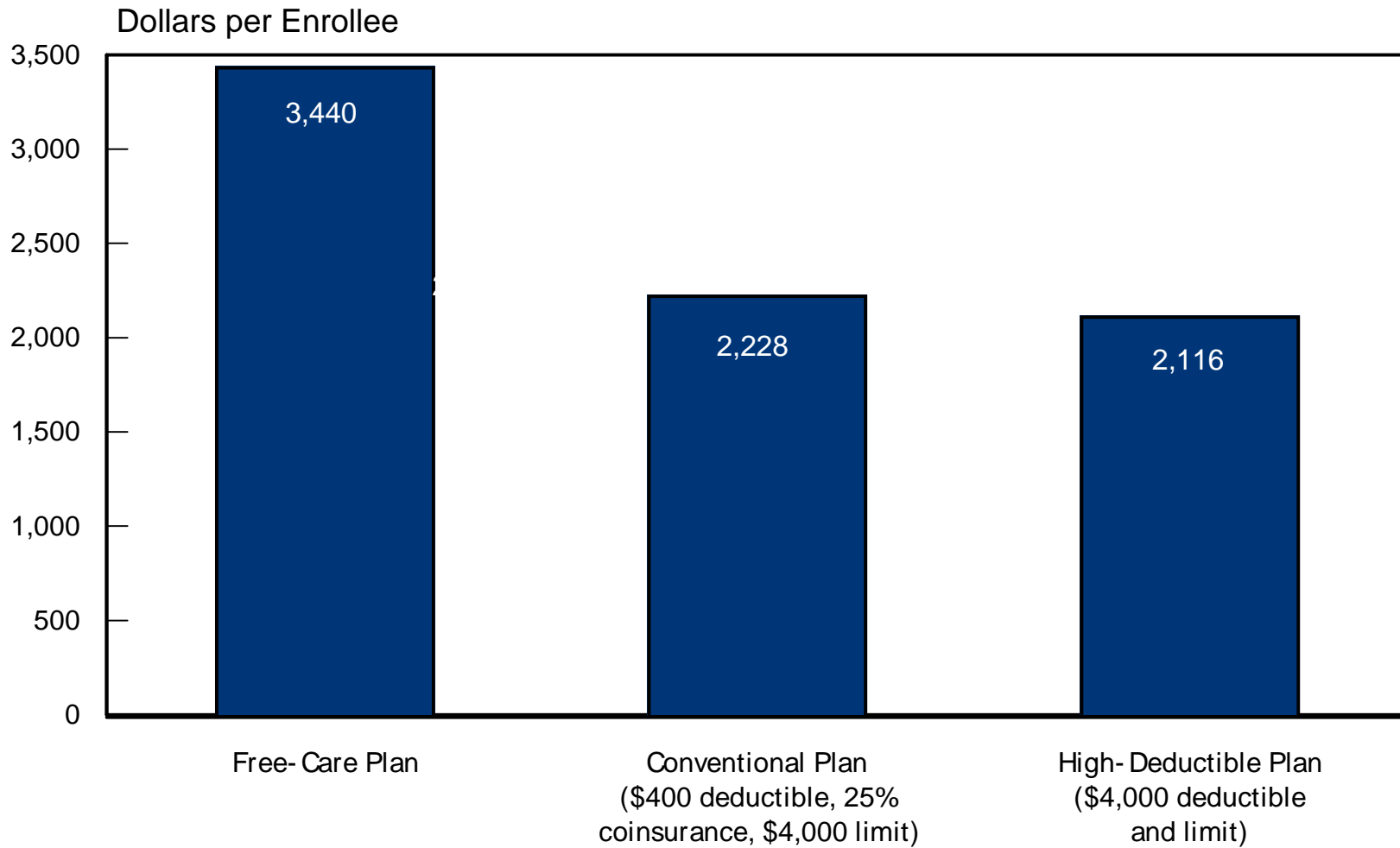


RAND's Experiment on Health Insurance

- Compared spending and health under various insurance designs
- Found that initial cost sharing could have substantial effects on total spending
- Cost sharing reduced both effective and ineffective care about equally
- Design of plan had no impact on health for most enrollees; some benefit of free care for low-income enrollees in the poorest health



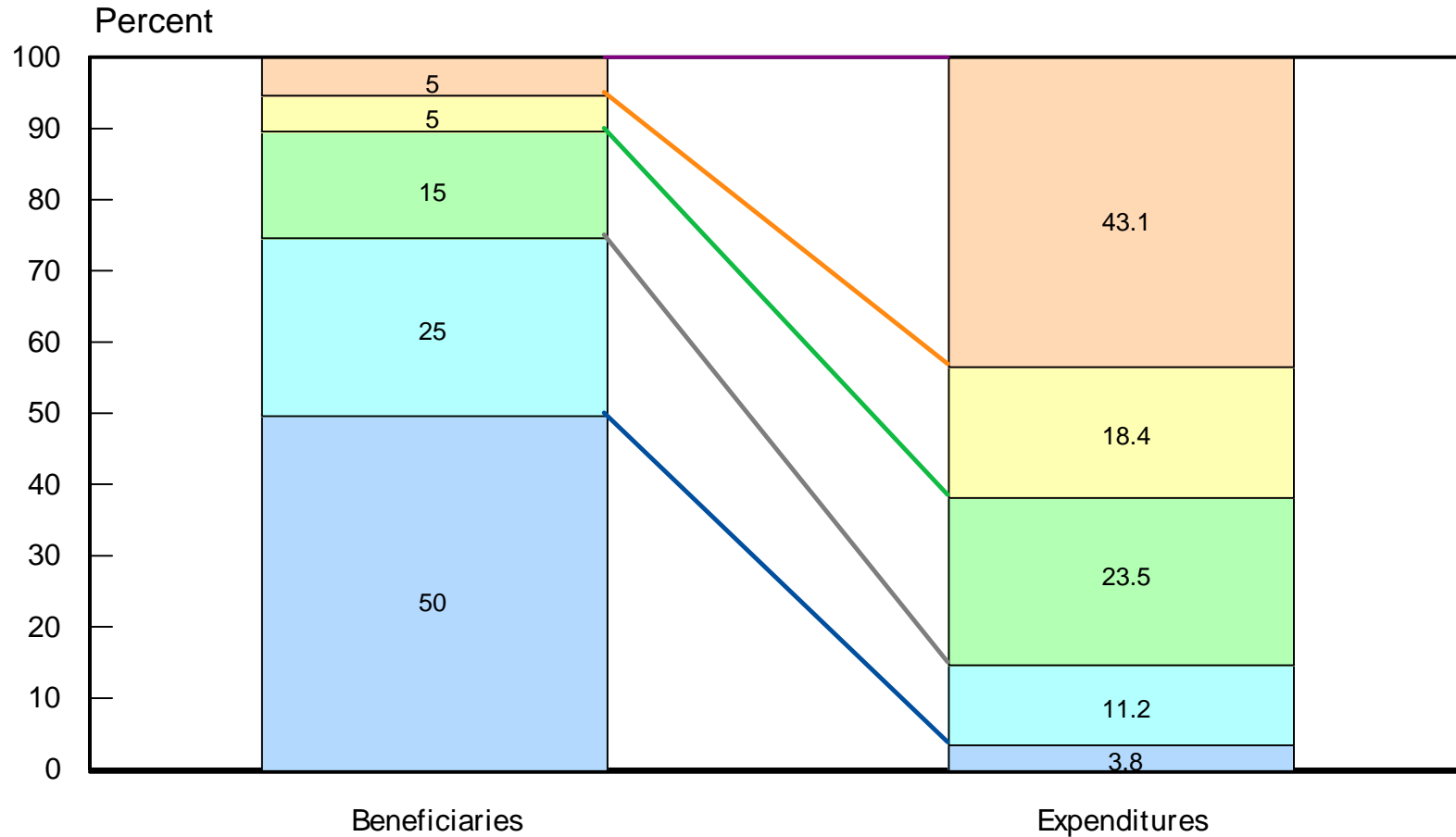
Effects of Cost Sharing



Source: Based on data from RAND's health insurance experiment.



Concentration of Total Annual Medicare Expenditures Among Beneficiaries, 2001



Source: CBO based on data from CMS.