



**Congressional Budget Office**

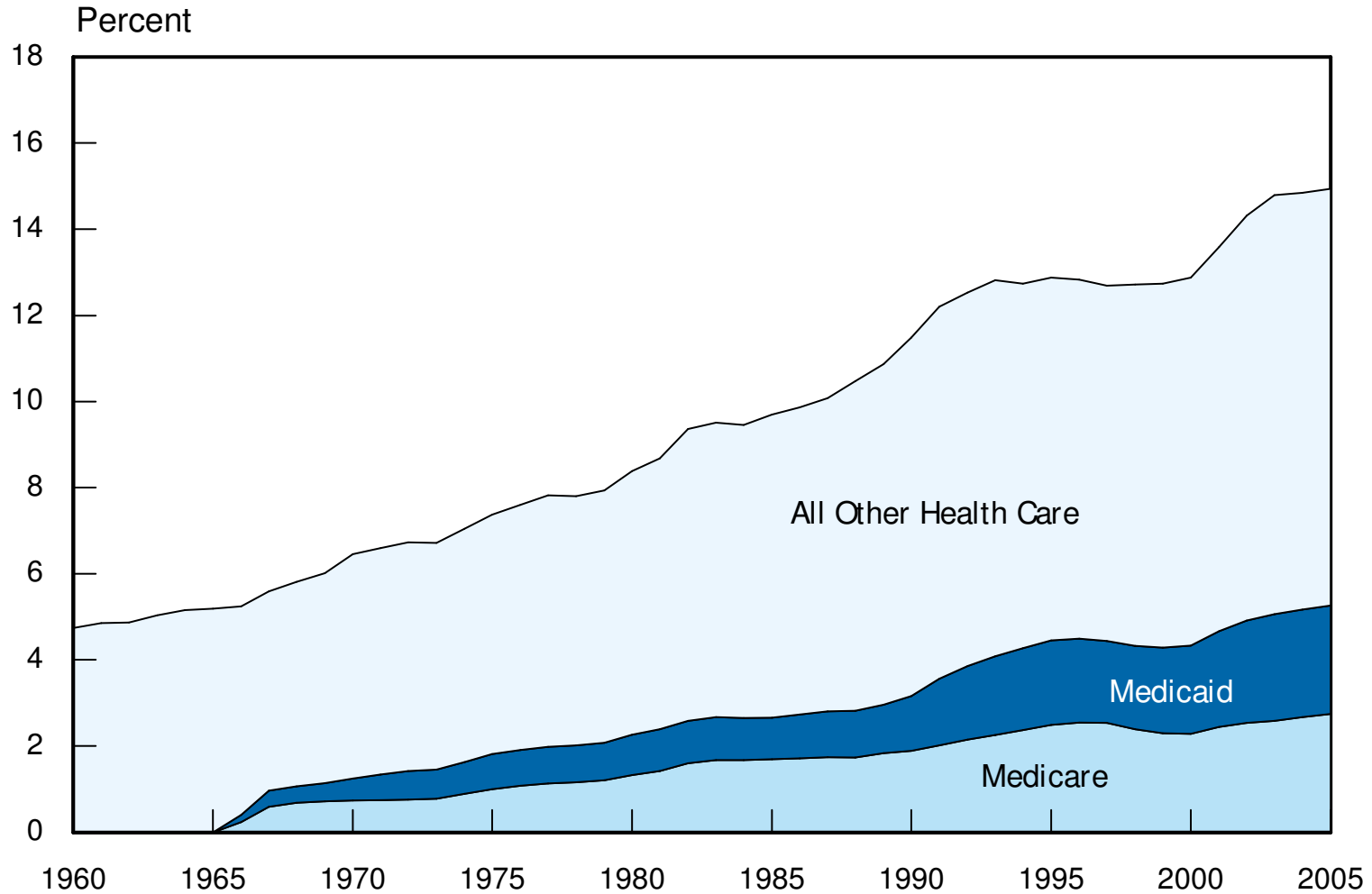
# **The Long-Term Outlook for Health Care Spending**

**Peter R. Orszag  
Director**

**November 13, 2007**



# Spending on Health Care as a Percentage of Gross Domestic Product





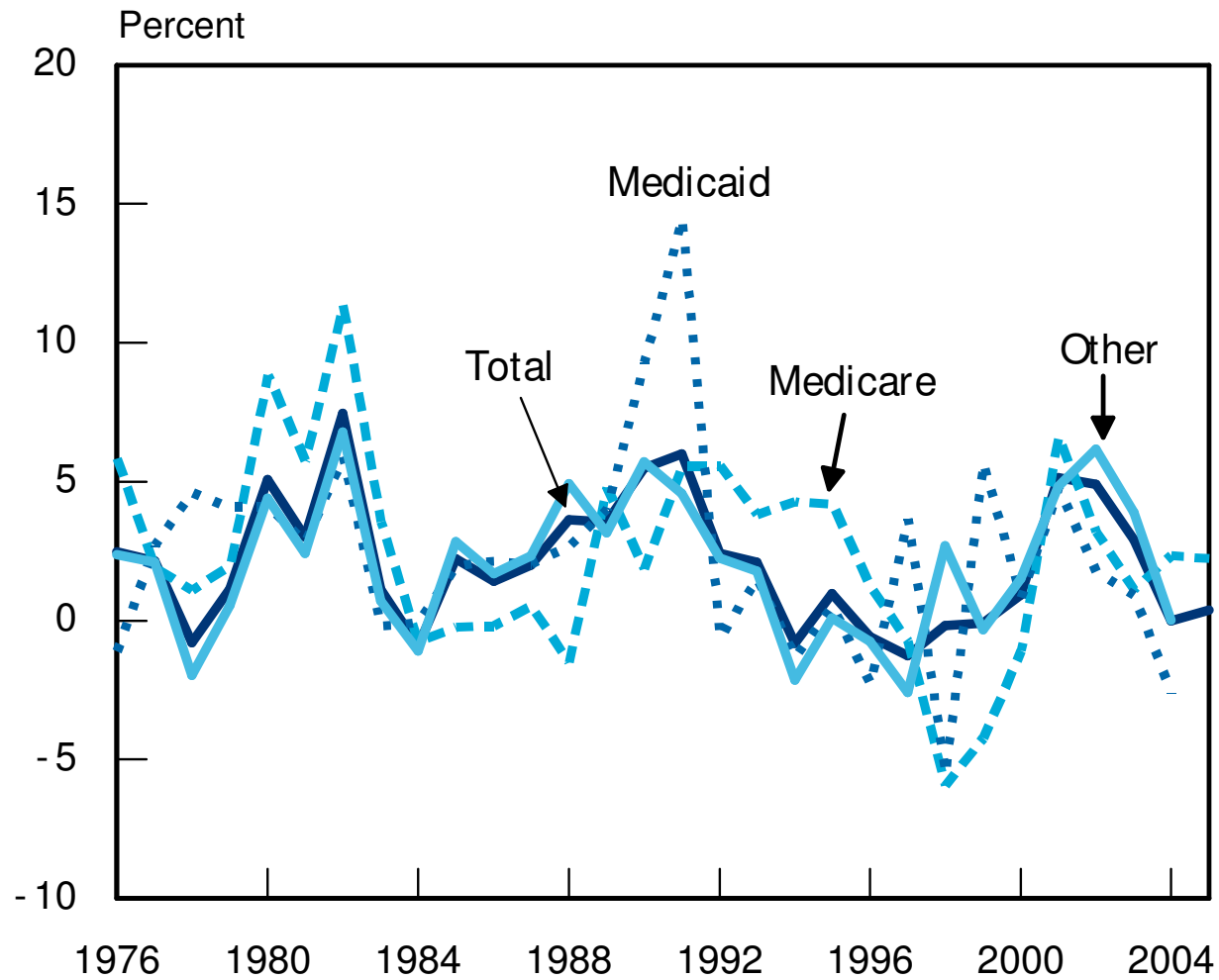
## Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care

Percentage Points

	Medicare	Medicaid	All Other	Total
1975 to 1990	2.9	2.9	2.4	2.6
1990 to 2005	1.8	1.3	1.4	1.5
1975 to 2005	2.4	2.2	2.0	2.1

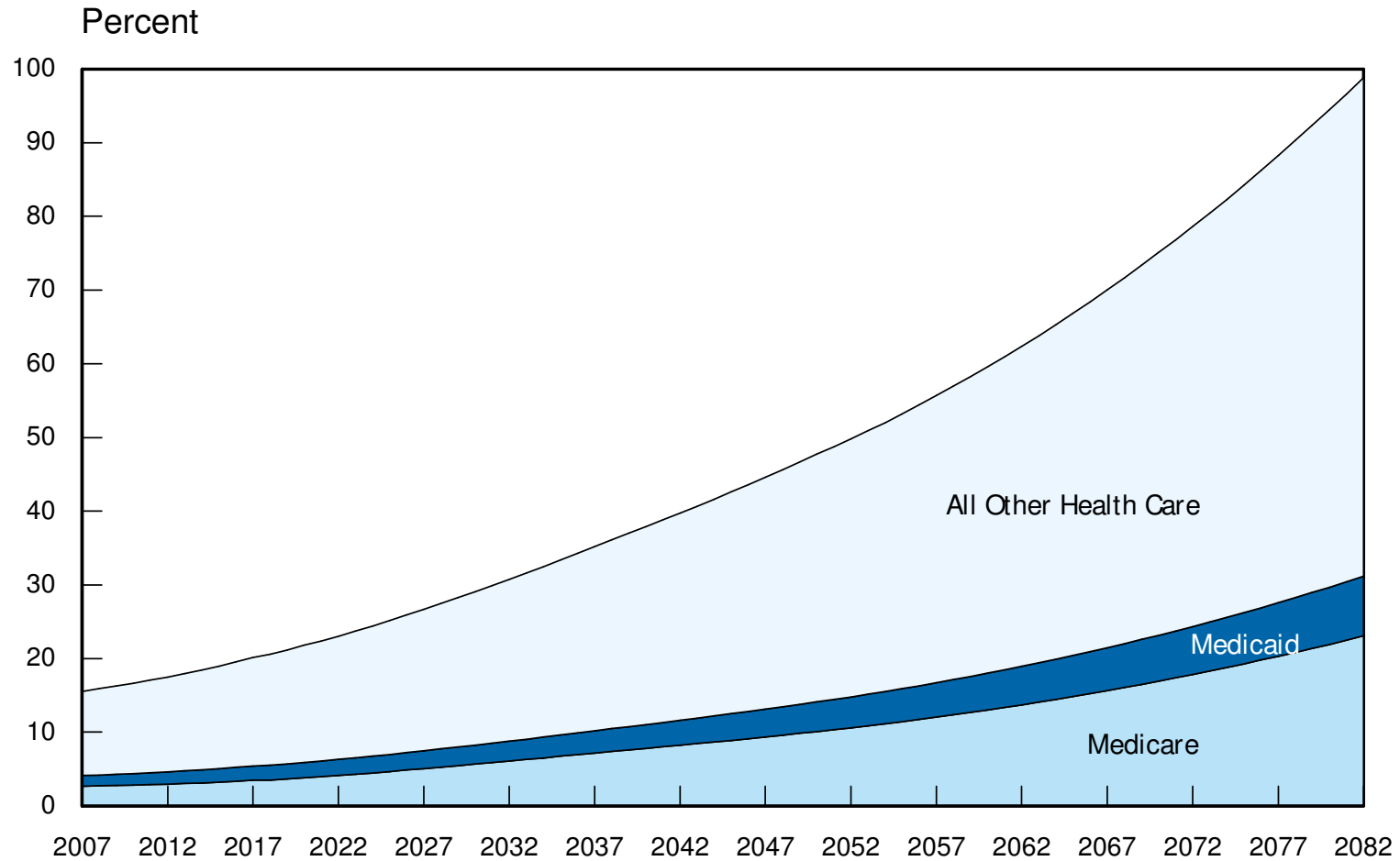


## Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care



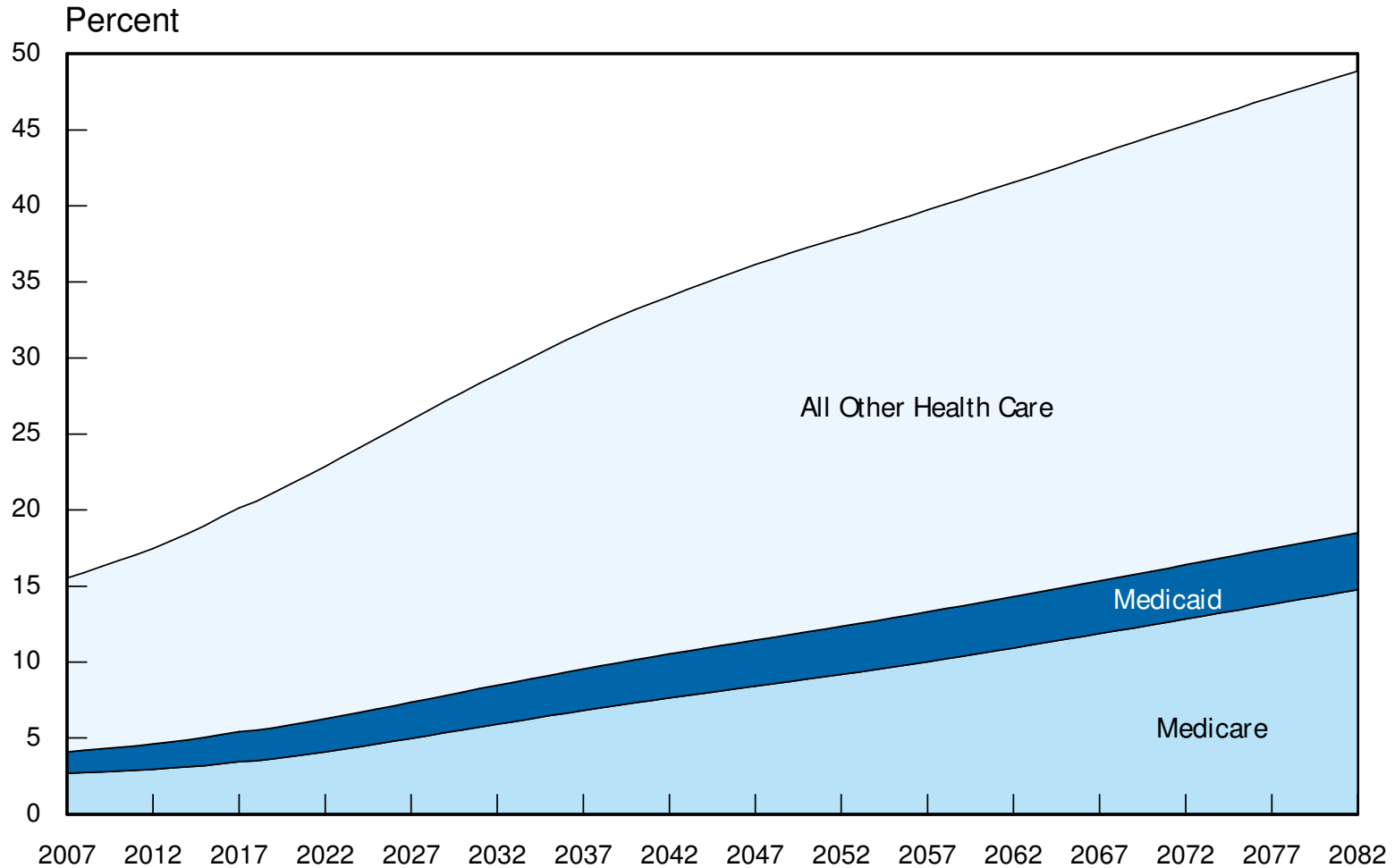


# Spending on Health Care as a Percentage of Gross Domestic Product Under an Assumption That Excess Cost Growth Continues at Historical Averages



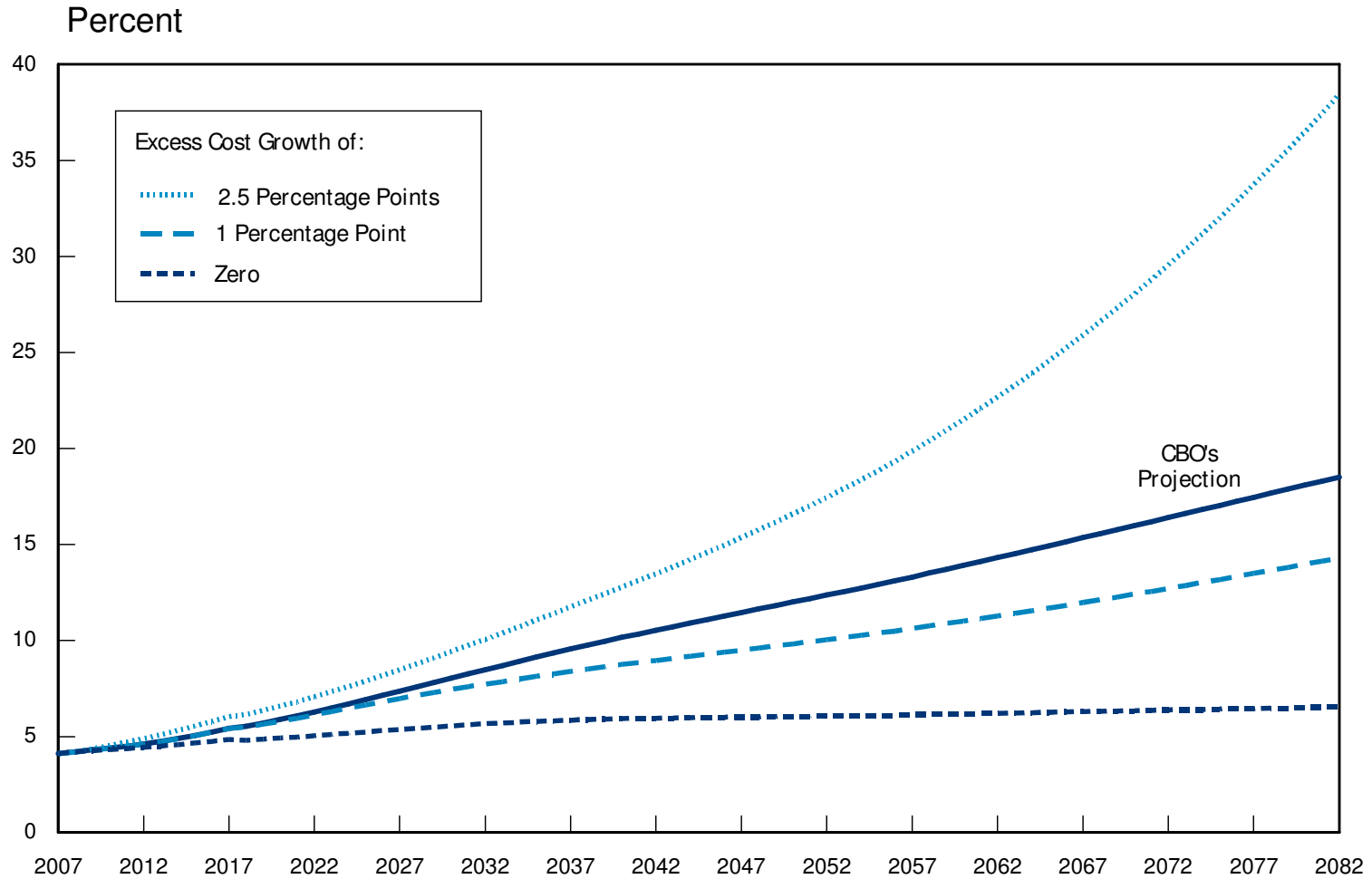


## Projected Spending on Health Care as a Percentage of Gross Domestic Product



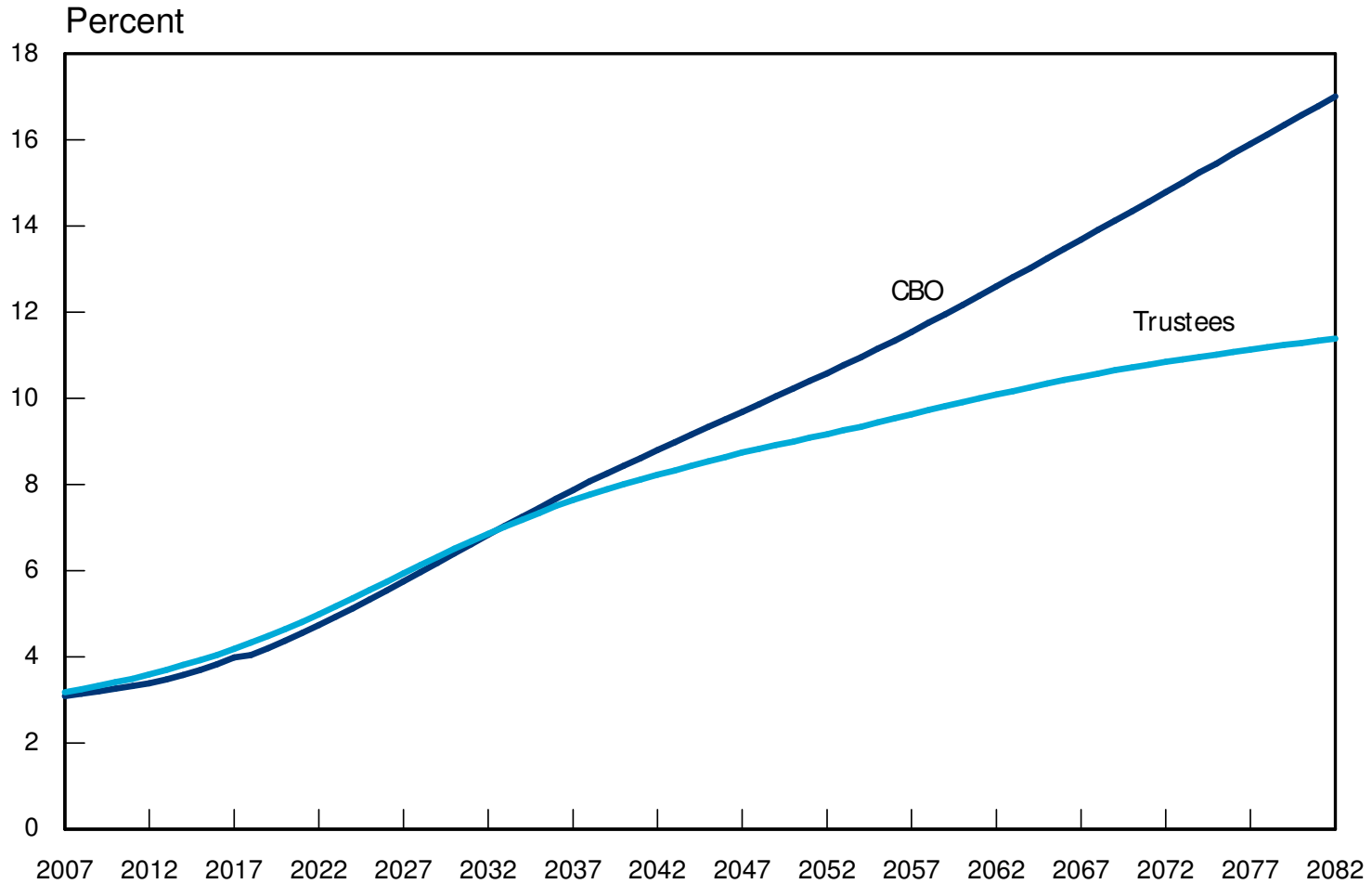


# Federal Spending for Medicare and Medicaid as a Percentage of Gross Domestic Product Under Different Assumptions About Excess Cost Growth



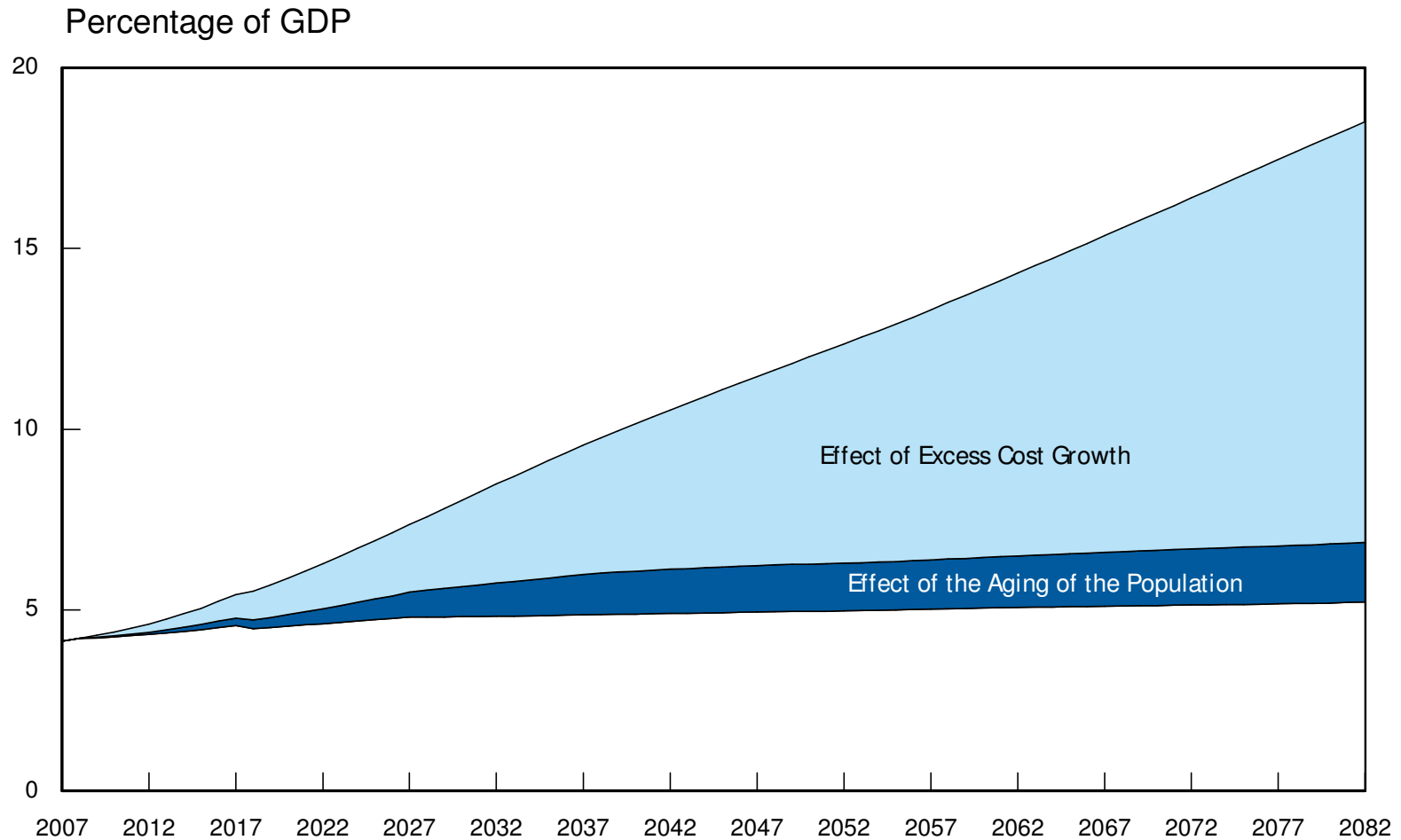


## CBO's and the Trustees' Projections of Spending on Medicare as a Percentage of Gross Domestic Product



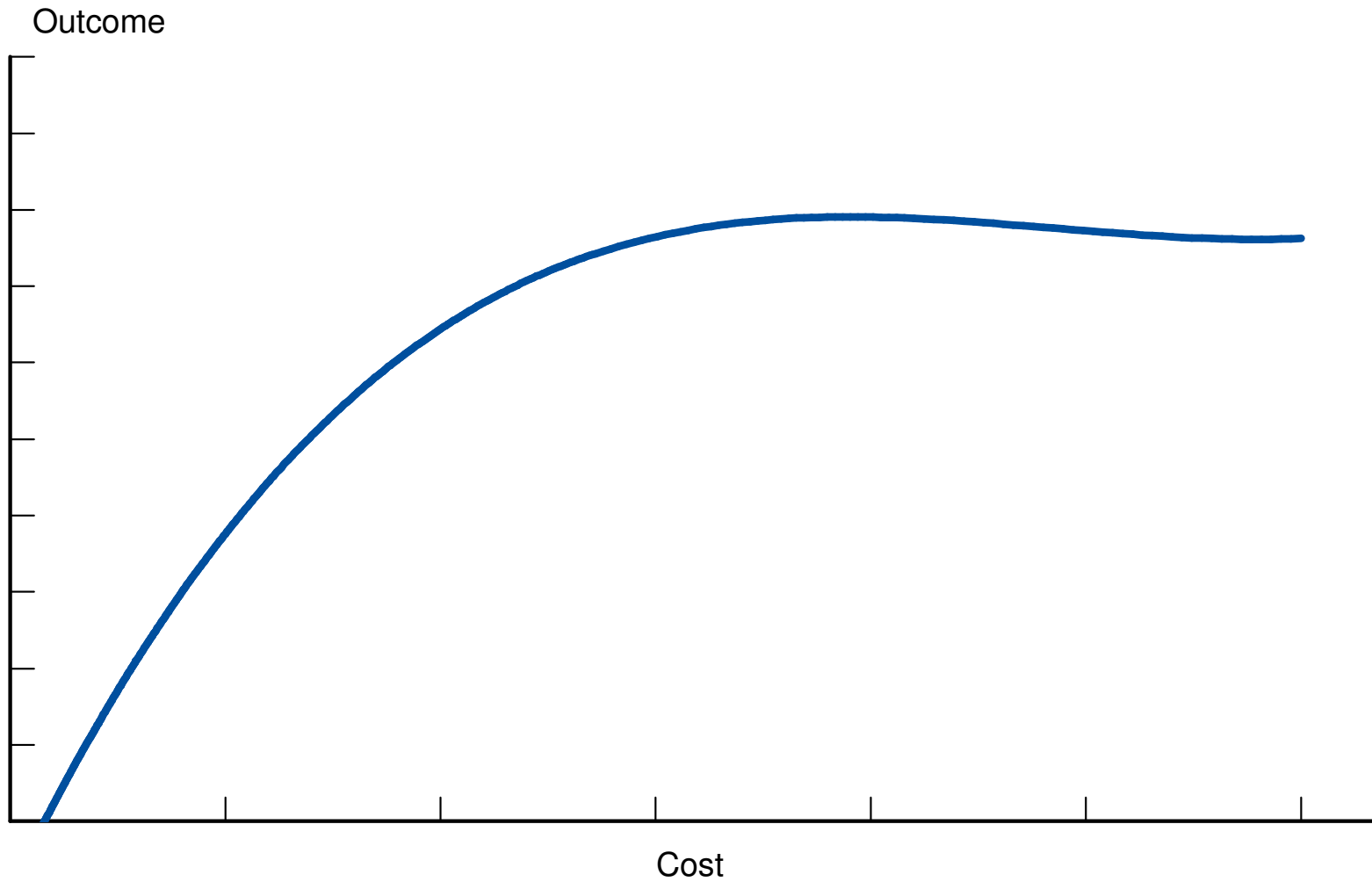


# Sources of Growth in Projected Federal Spending on Medicare and Medicaid



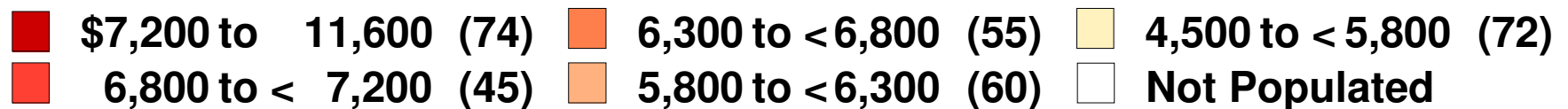
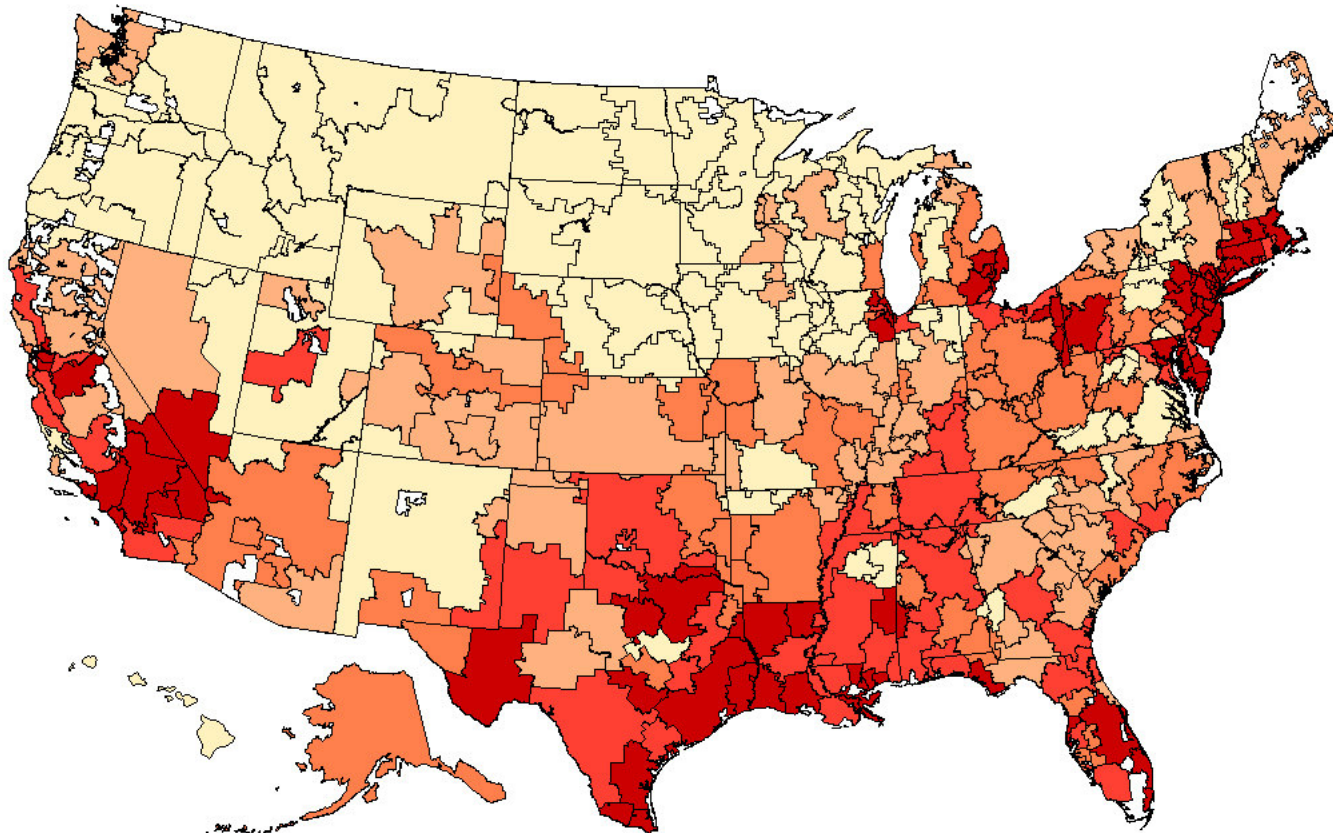


# The Medical Effectiveness Curve





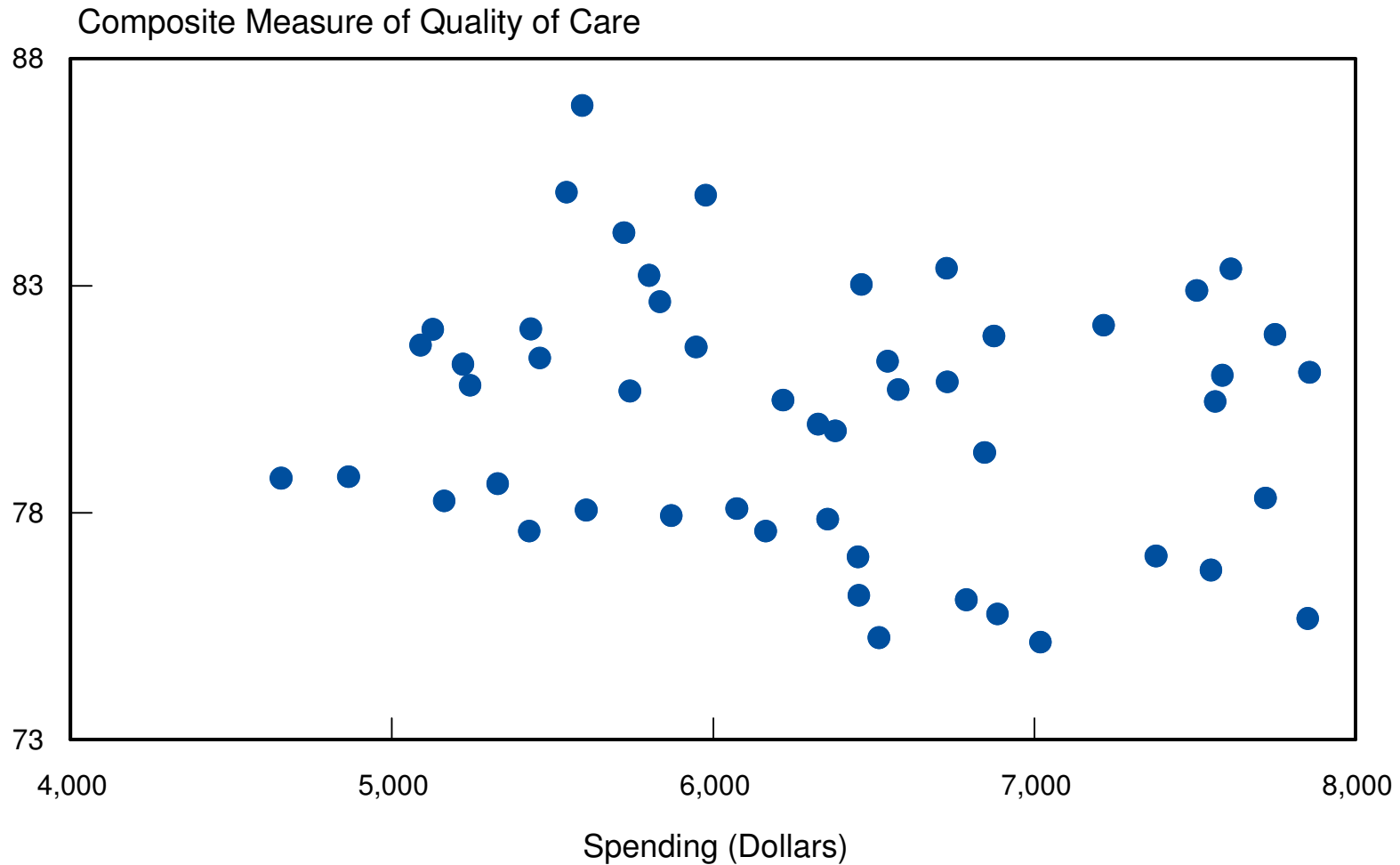
## Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: [www.dartmouthatlas.org](http://www.dartmouthatlas.org).



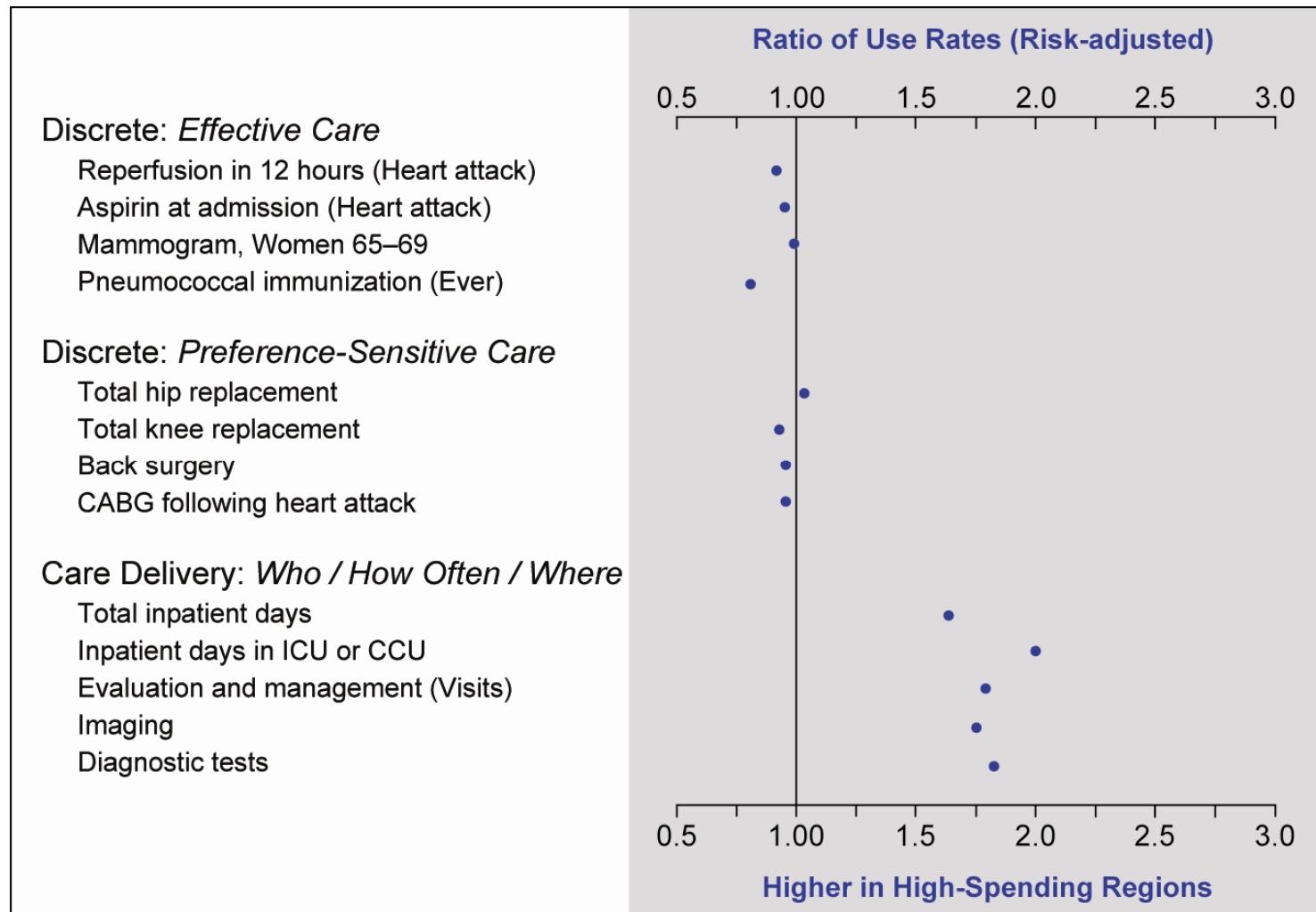
# The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.



## What Additional Services Are Provided in High-Spending Regions?



Source: Elliot Fisher, Dartmouth Medical School.



## Variations Among Academic Medical Centers

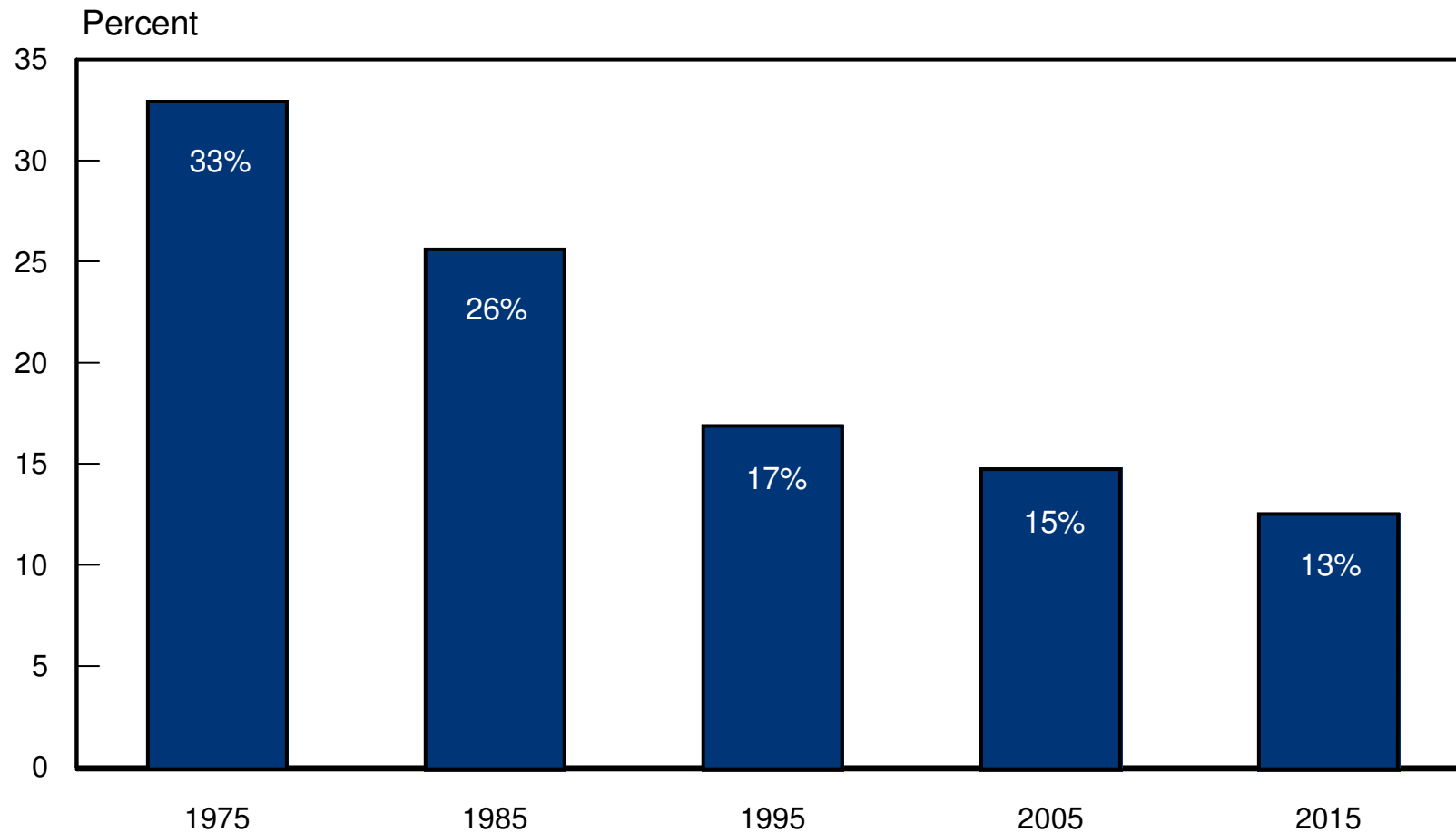
*Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report's "Honor Roll" AMCs*

	UCLA Medical Center	Massachusetts General Hospital	Mayo Clinic (St. Mary's Hospital)
<b>Biologically Targeted Interventions: Acute Inpatient Care</b>			
CMS composite quality score	81.5	85.9	90.4
<b>Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life</b>			
Total Medicare spending	50,522	40,181	26,330
Hospital days	19.2	17.7	12.9
Physician visits	52.1	42.2	23.9
Ratio, medical specialist / primary care	2.9	1.0	1.1

Source: Elliot Fisher, Dartmouth Medical School.

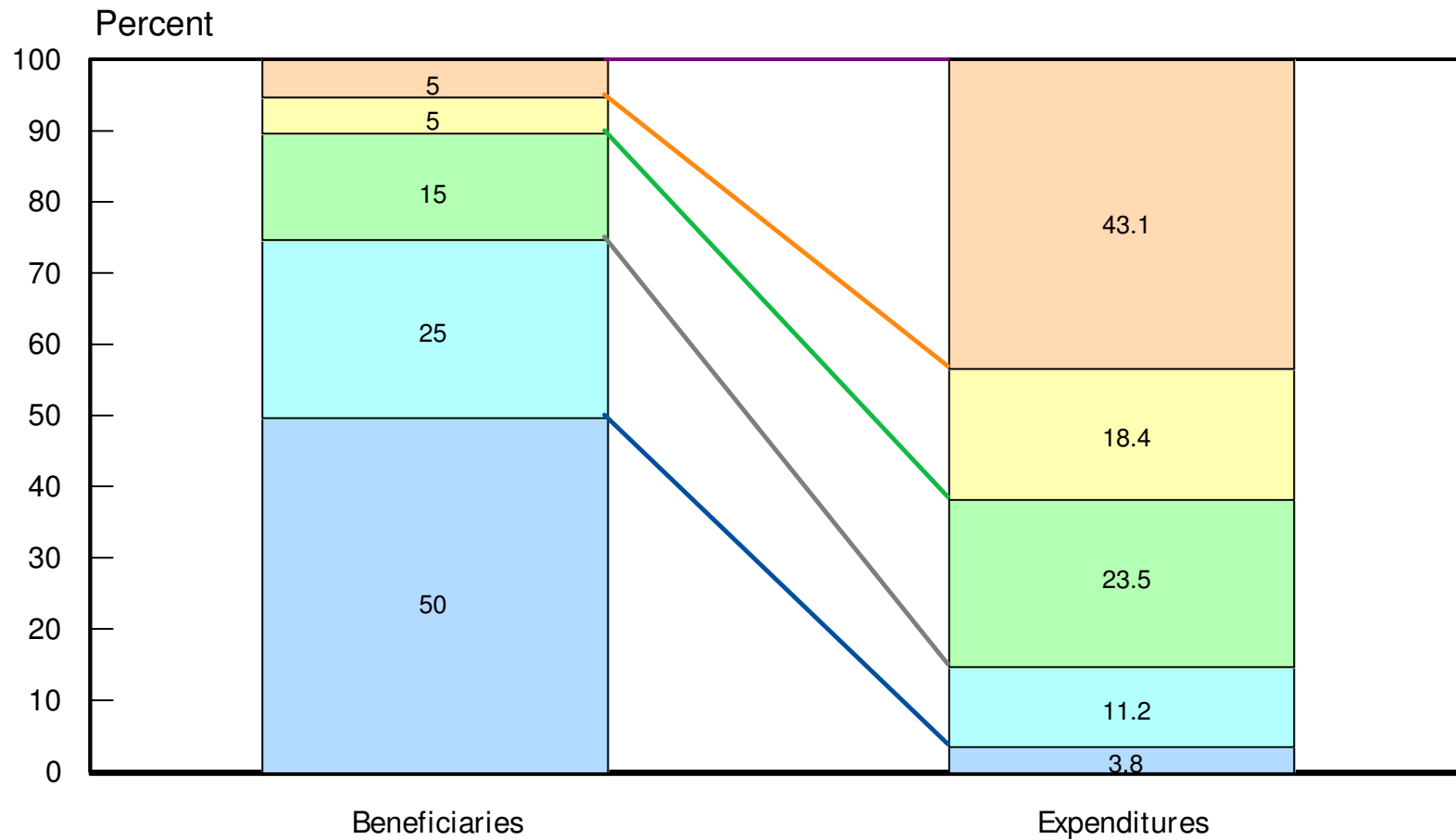


## Share of Personal Health Care Expenditures Paid Out of Pocket





## Concentration of Total Annual Medicare Expenditures Among Beneficiaries, 2001



Source: CBO based on data from CMS.