



**Congressional Budget Office**

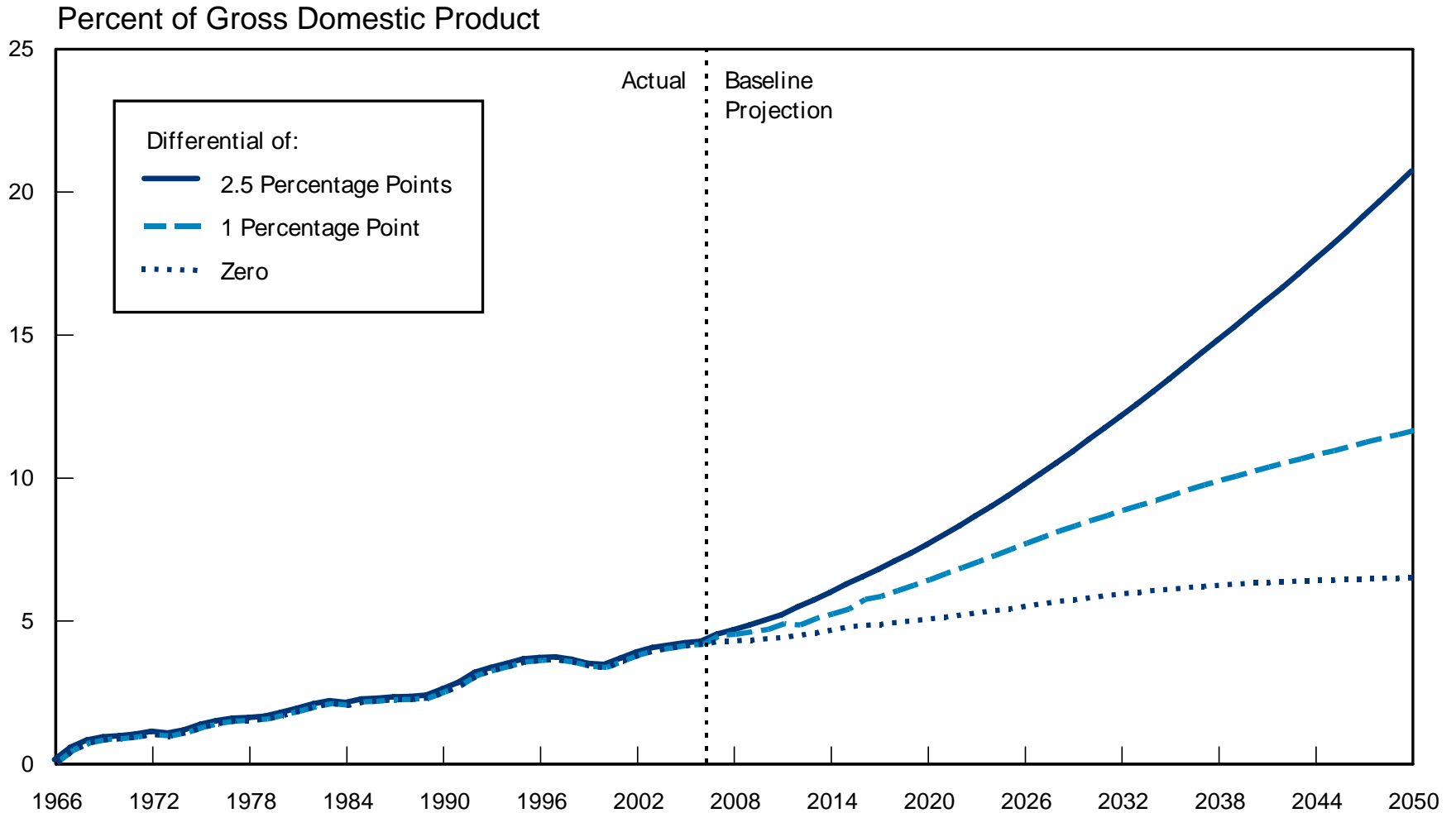
**Remarks for the Spring 2007  
Symposium of the**

**American Association for  
Budget and Program  
Analysis**

**April 17, 2007**

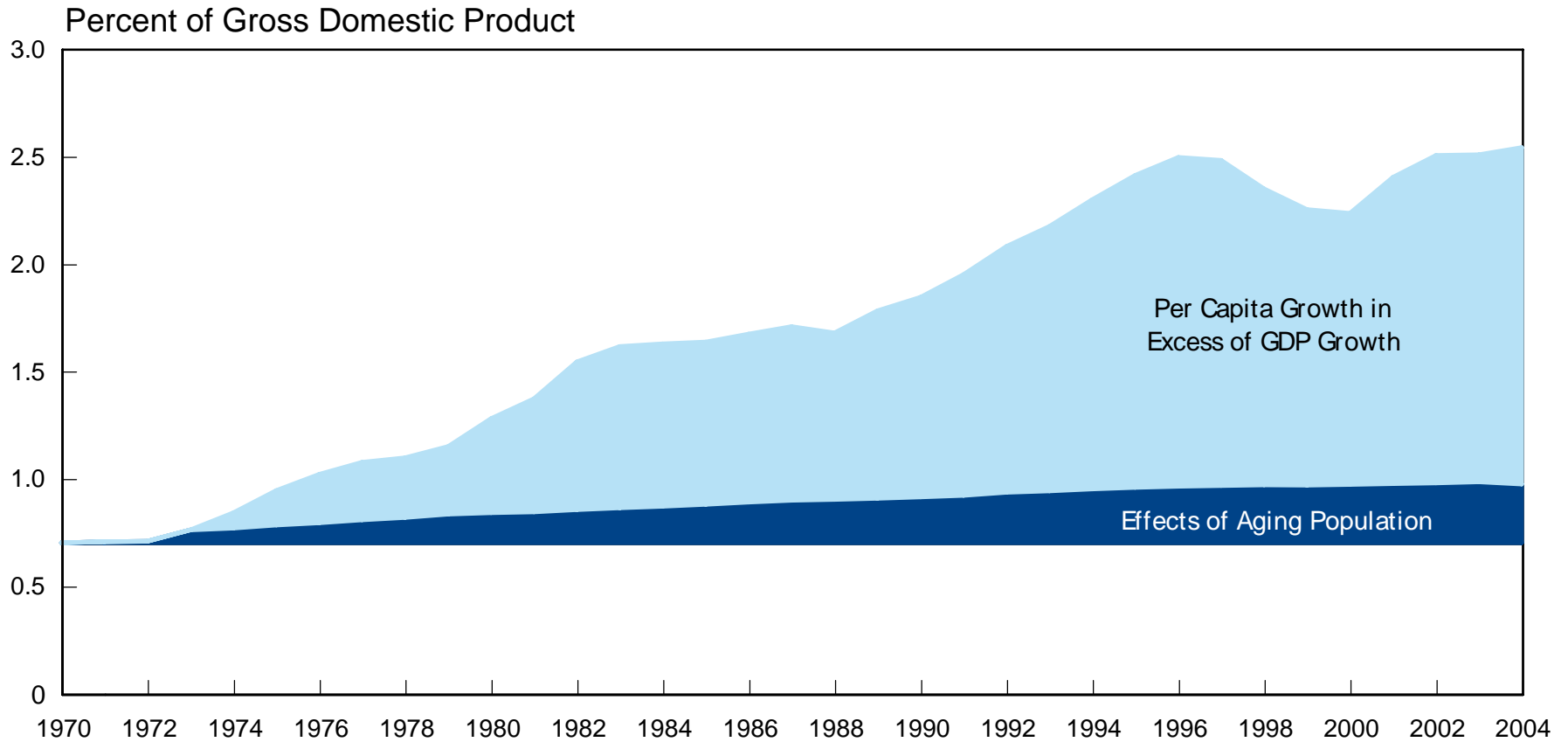


# Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential



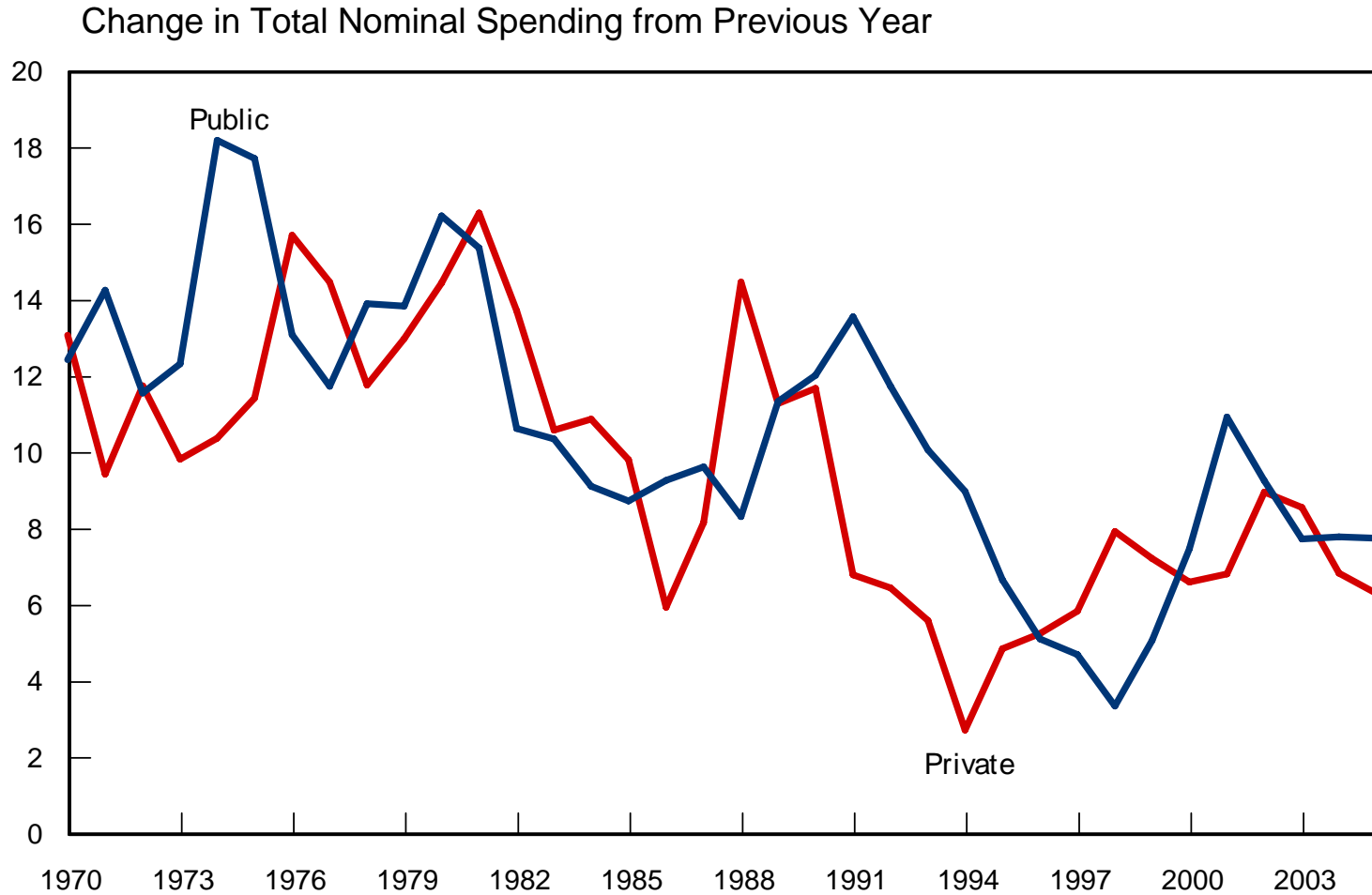


# Sources of Medicare Cost Growth Since 1970





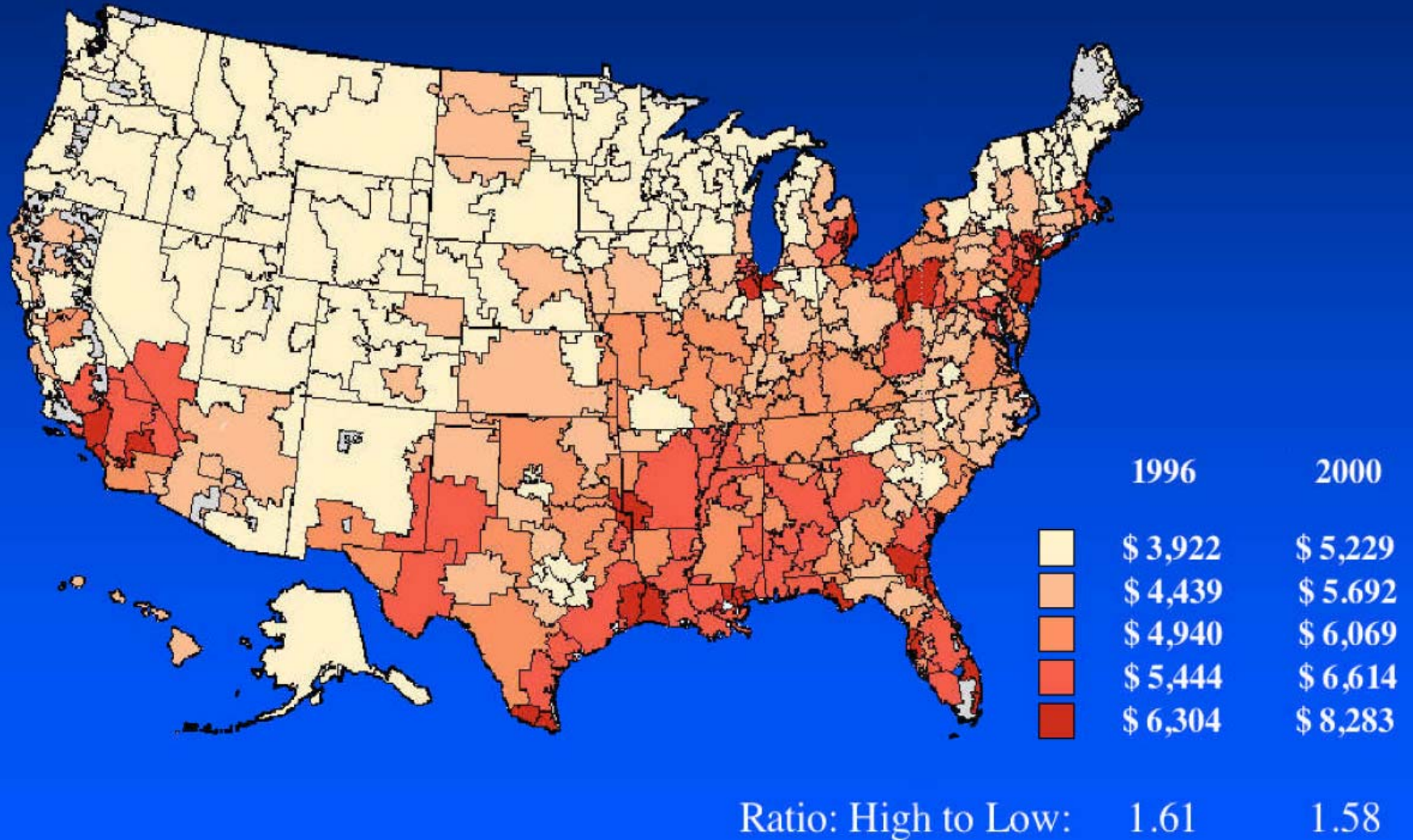
# Annual Growth Rates of Private and Public Health Care Spending



Source: CMS's data on national health expenditures.



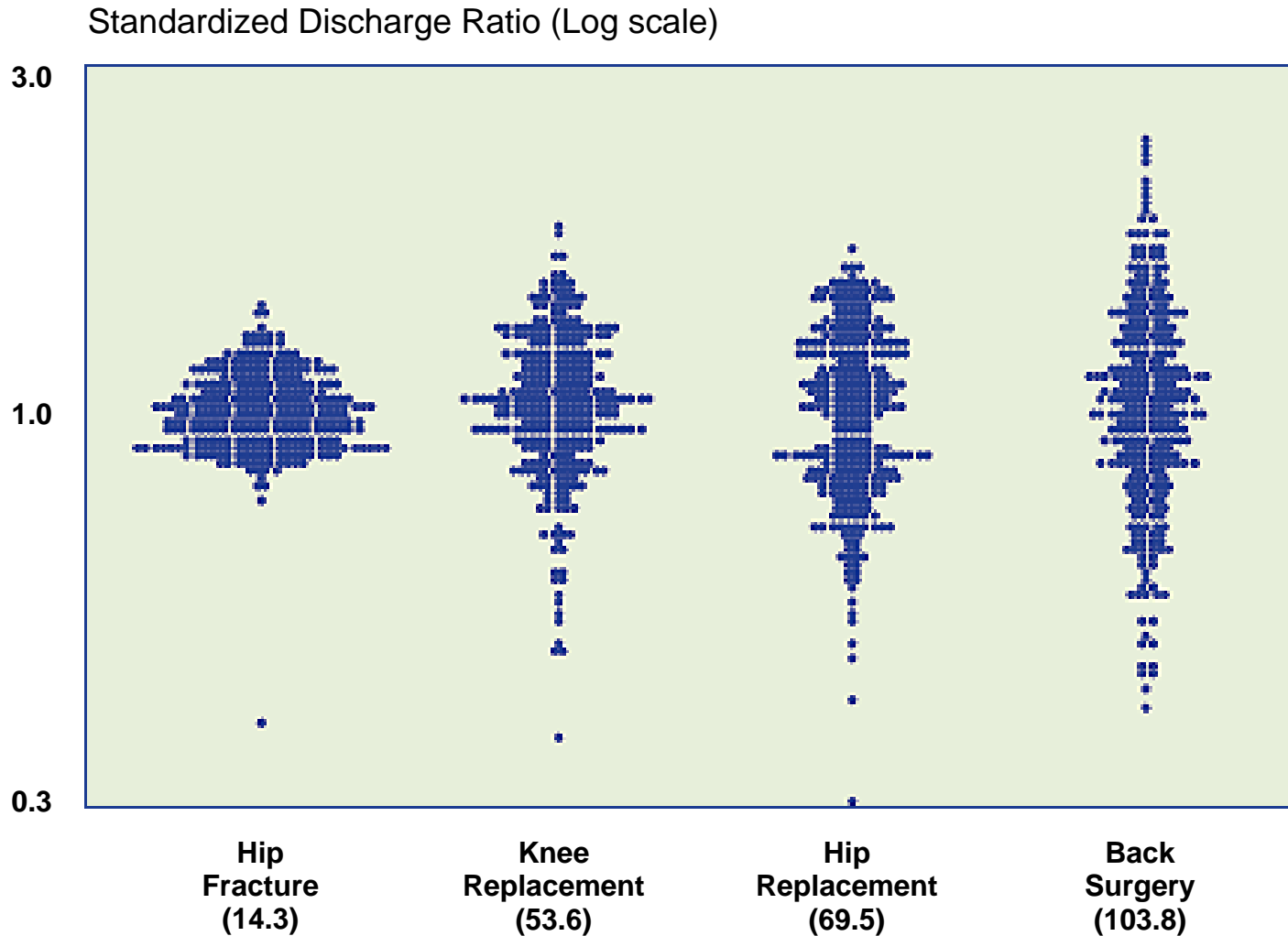
# Medicare Spending per Capita in the United States



Source: Dartmouth Atlas of Health Care.



# Rates of Four Orthopedic Procedures Among Medicare Enrollees, 2002 and 2003



Source: Dartmouth Atlas Project.



# Comparative Effectiveness

- **What is the problem?**
  - Too little incentive to invest in information
  - Too little incentive to adopt results
  
- **Options include:**
  - Subsidizing private efforts
  - Creating or expanding a government entity
  - Creating a public-private partnership



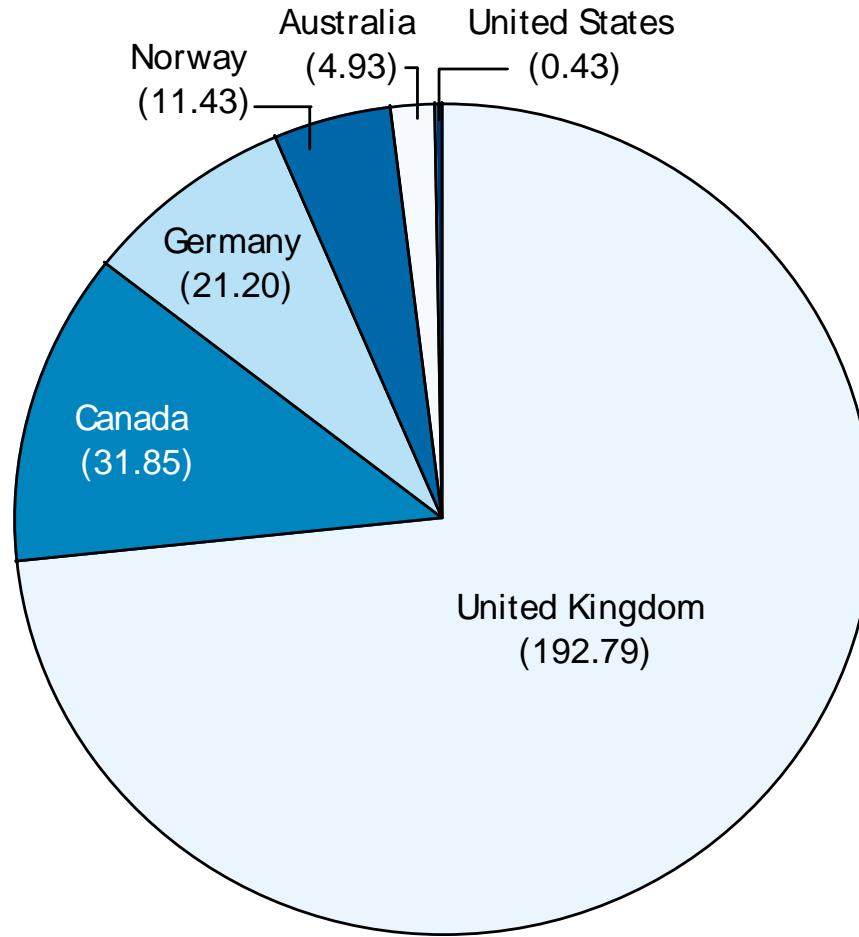
## Comparative Effectiveness

- **What could a new or expanded entity do?**
  - **Serve as clearinghouse for results**
  - **Subsidize studies (trials or observational analyses)**
  - **Suggest best-practice guidelines**
  
- **How could it be funded?**
  - **Discretionary appropriations**
  - **Dedicated funding source (for example, Medicare)**
  - **Private contributions (for example, user fees)**



# Costs to Implement Health Information Technology in Selected Countries, 2003

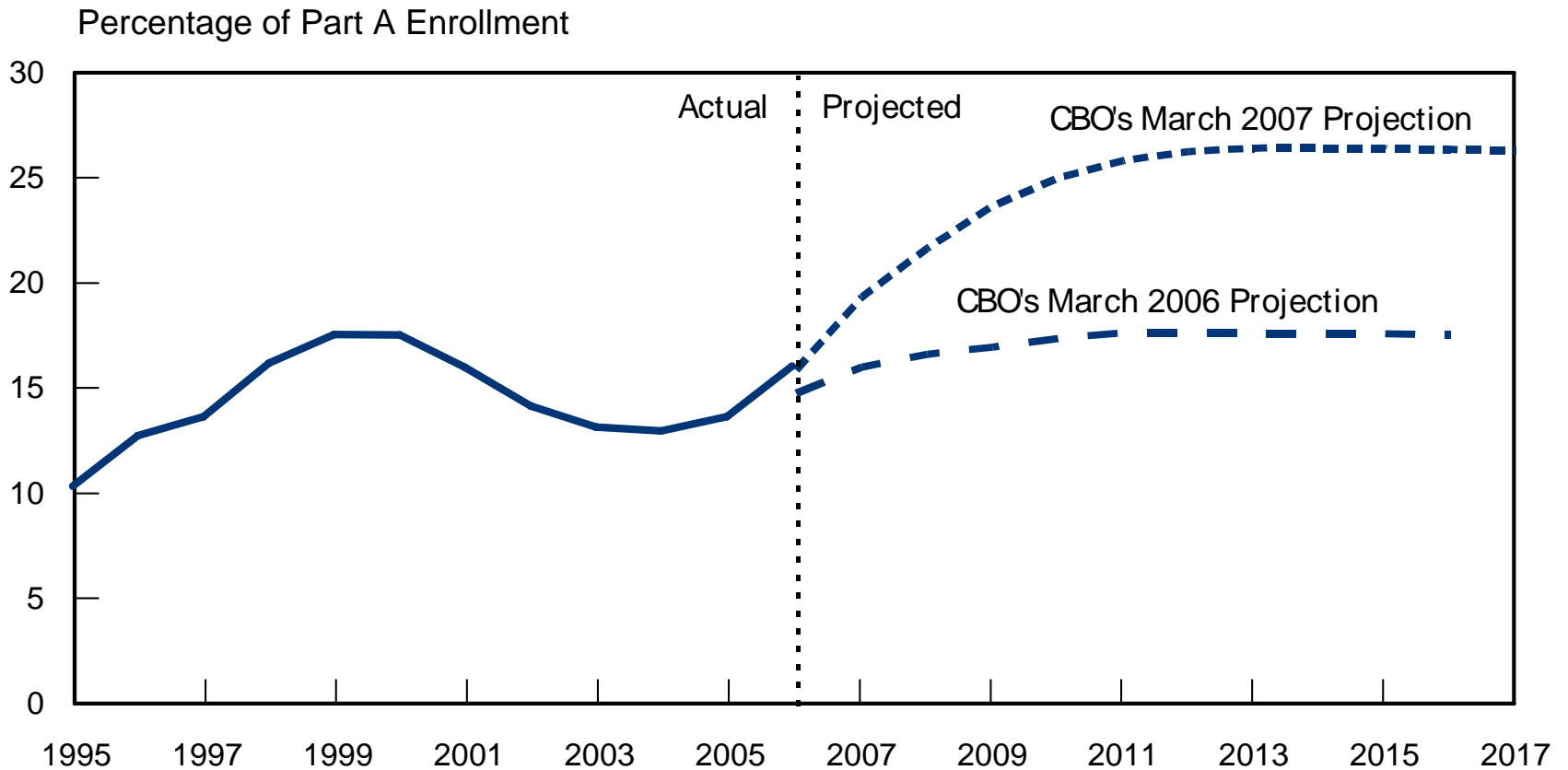
Dollars per Capita



Source: Gerald F. Anderson and others using data from OECD.



# Enrollment in Medicare Advantage as a Percentage of Total Enrollment in Medicare, 1995 to 2017





## Recent Enrollment in Medicare Advantage and Other Group Health Plans

	Total, Dec. 2005	Additions		Total, Jan. 2007
		During 2006	In January 2007	
Medicare Advantage				
Local HMOs and PPOs	5,160	840	240	6,240
Private fee for service	210	660	470	1,350
Regional PPOs	0	100	20	120
Total for All Group Health Plans	6,120	1,470	690	8,290



# Estimated Budgetary Effects of Policies Capping the Benchmarks under the Medicare Advantage Program

Limit on MA Benchmarks as a Percentage of FFS Costs	Change in Direct Spending (Billions of dollars)	
	2008-2012	2008-2017
100	-65	-160
110	-38	-95
120	-18	-45
130	-7	-19
140	-3	-7
150	-2	-4