



Congressional Budget Office

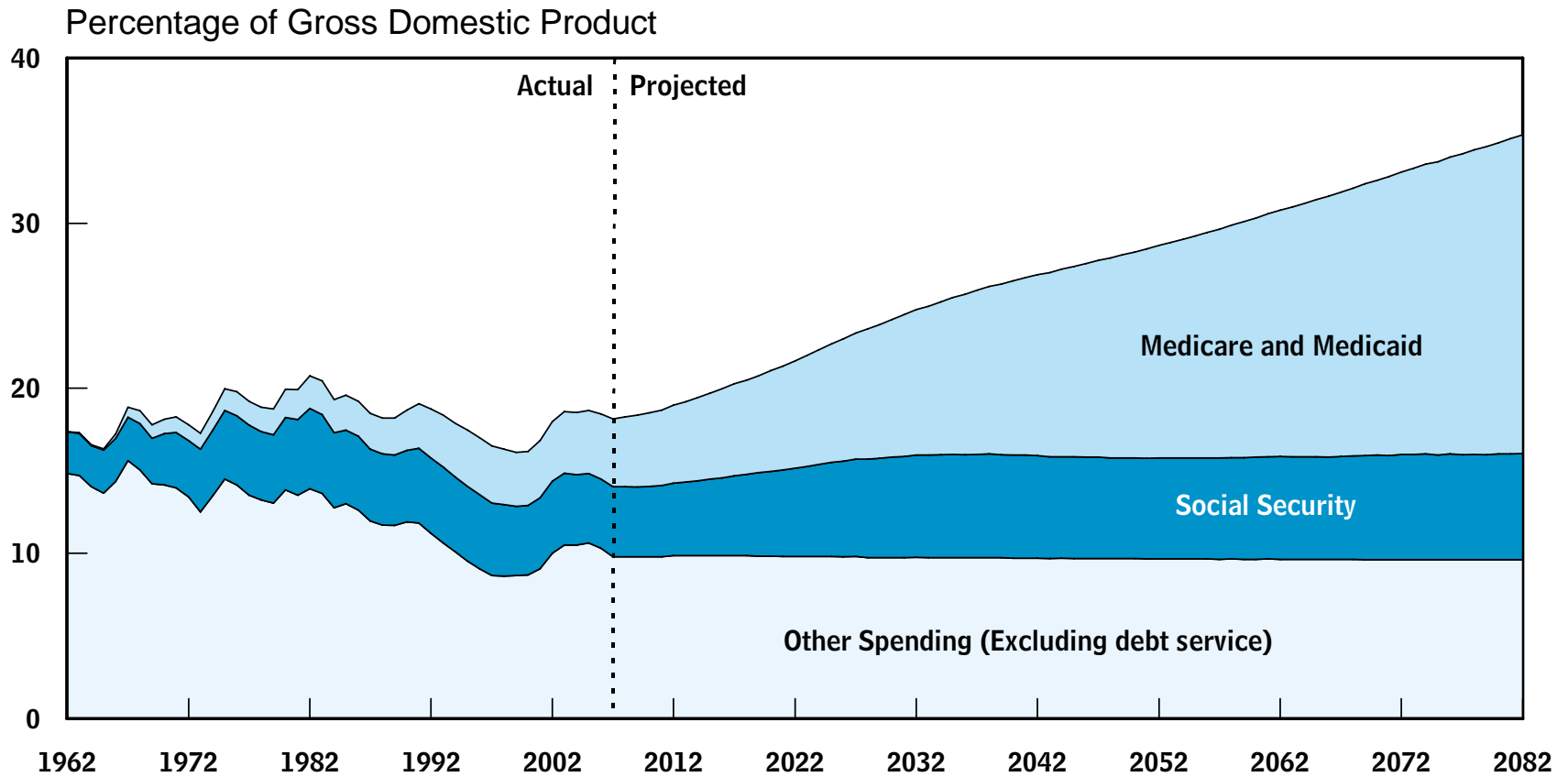
**Presentation to the Center for Public Health,
Stanford University**

**A Federal Perspective on
Health Care Policy and Costs**

**Peter Orszag
Director
September 16, 2008**



Federal Spending Under CBO's Alternative Fiscal Scenario





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



Estimated Contributions of Selected Factors to Long-Term Growth in Real Health Care Spending per Capita, 1940 to 1990

Percent

	Smith, Heffler, and Freeland (2000)	Cutler (1995)	Newhouse (1992)
Aging of the Population	2	2	2
Changes in Third-Party Payment	10	13	10
Personal Income Growth	11-18	5	<23
Prices in the Health Care Sector	11-22	19	Not Estimated
Administrative Costs	3-10	13	Not Estimated
Defensive Medicine and Supplier-Induced Demand	0	Not Estimated	0
Technology-Related Changes in Medical Practice	38-62	49	>65

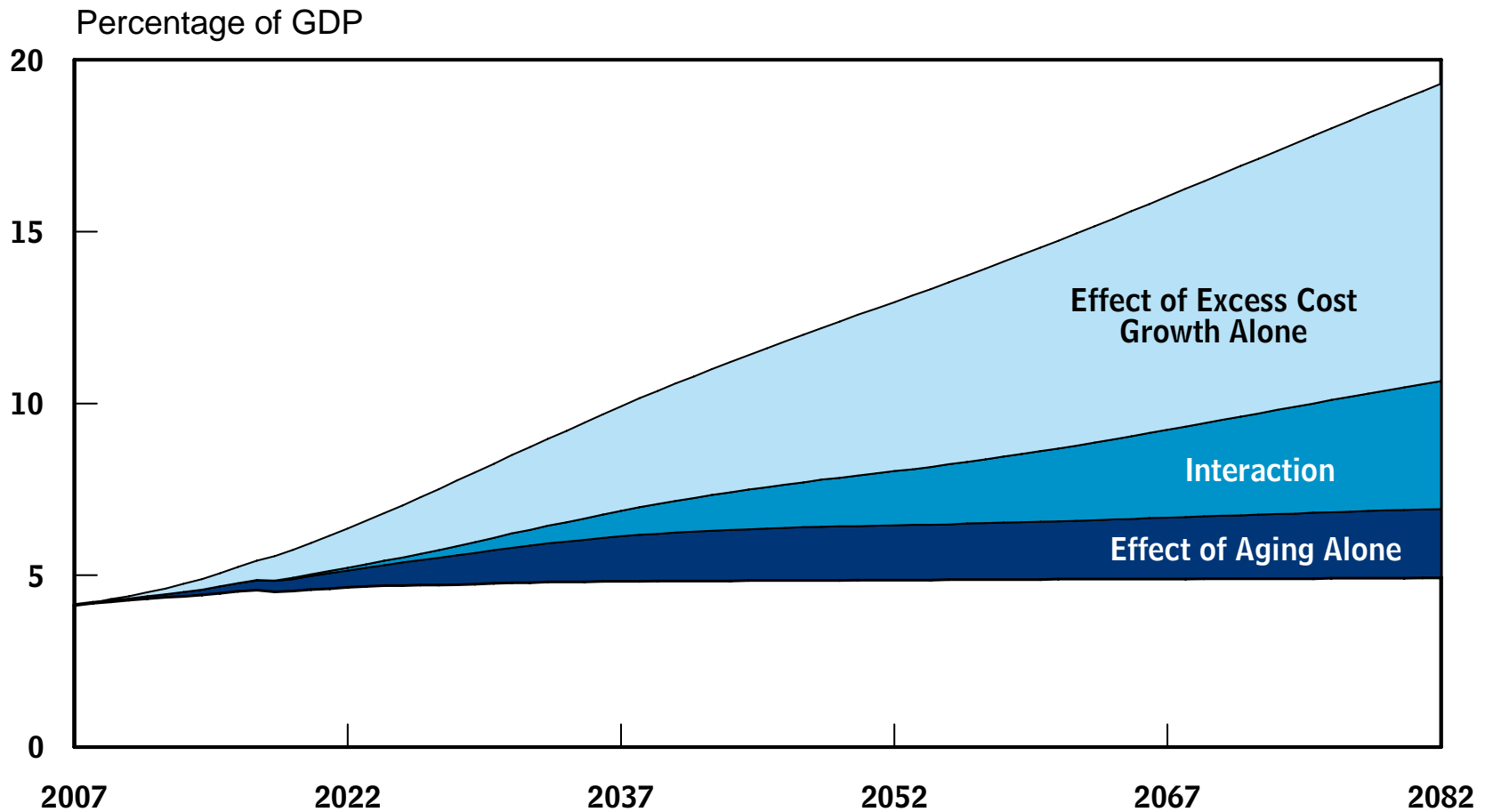


Misdiagnosing the Problem

- Most discussions in media
 - Aging and demographics
- Most of the fiscal problem
 - Rising cost per beneficiary (not number or type of beneficiaries)



Sources of Growth in Projected Federal Spending on Medicare and Medicaid



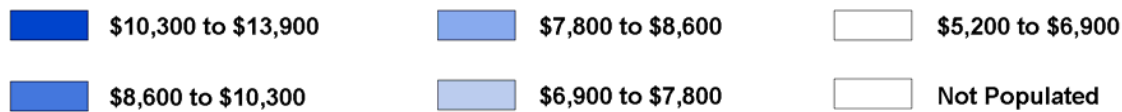
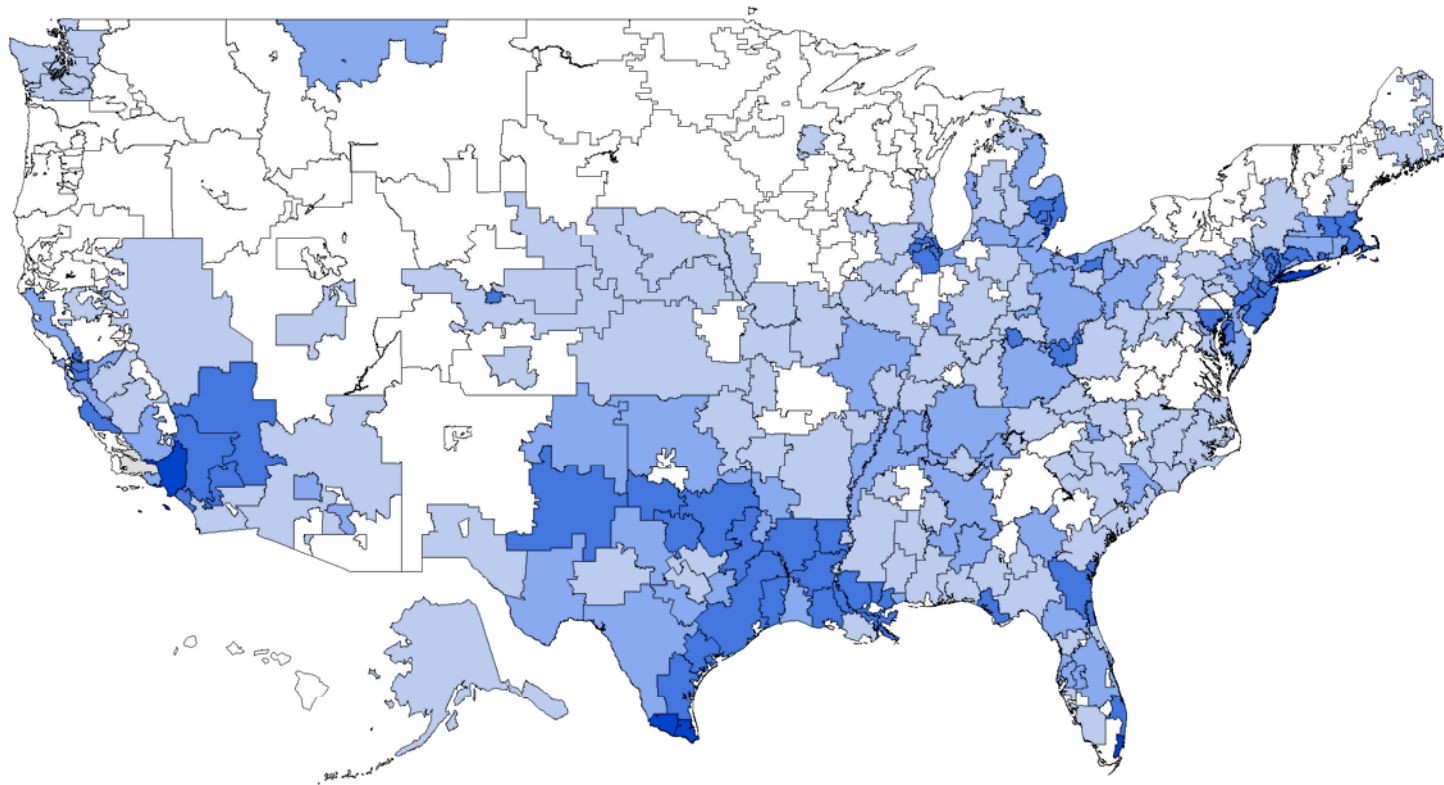


Before We All Get Too Depressed...

- Embedded in the nation's central long-term fiscal challenge appears to be a substantial opportunity
- Can we reduce health care costs without impairing health outcomes?



Medicare Spending per Beneficiary in the United States, by Hospital Referral Region, 2005





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

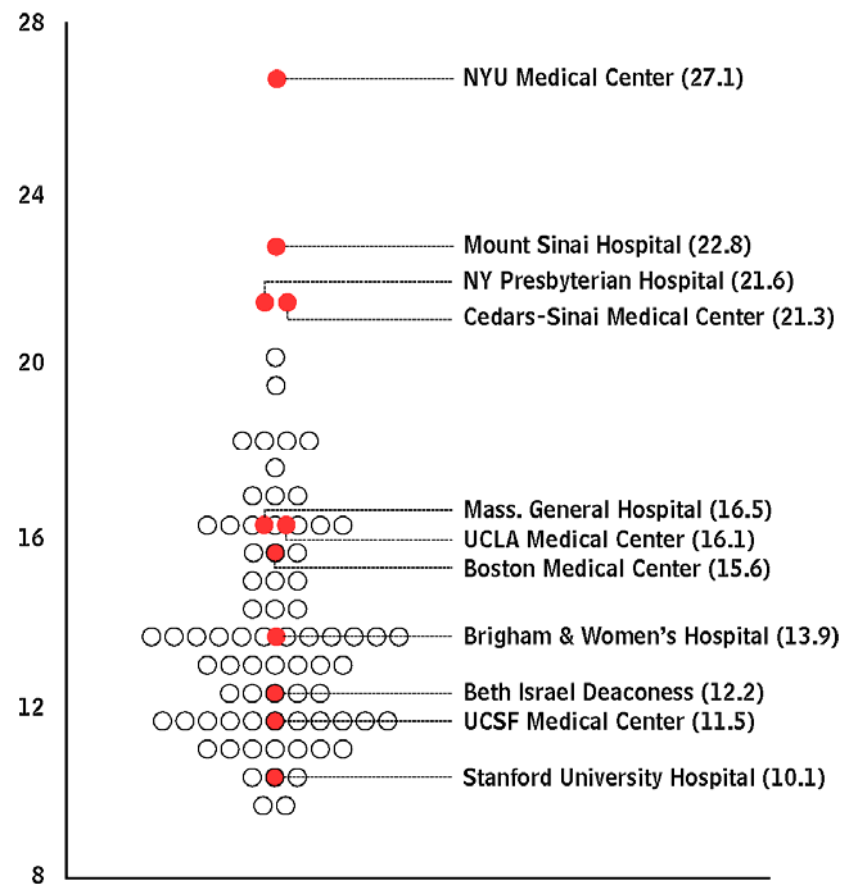
	UCLA Medical Center	Massachusetts General Hospital	Mayo Clinic (St. Mary's Hospital)
Biologically Targeted Interventions: Acute Inpatient Care			
CMS composite quality score	81.5	85.9	90.4
Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life			
Total Medicare spending	50,522	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.



Variations Among Academic Medical Centers

Supply-Sensitive Care: Days in the Hospital for Patients During the Last Six Months of Life

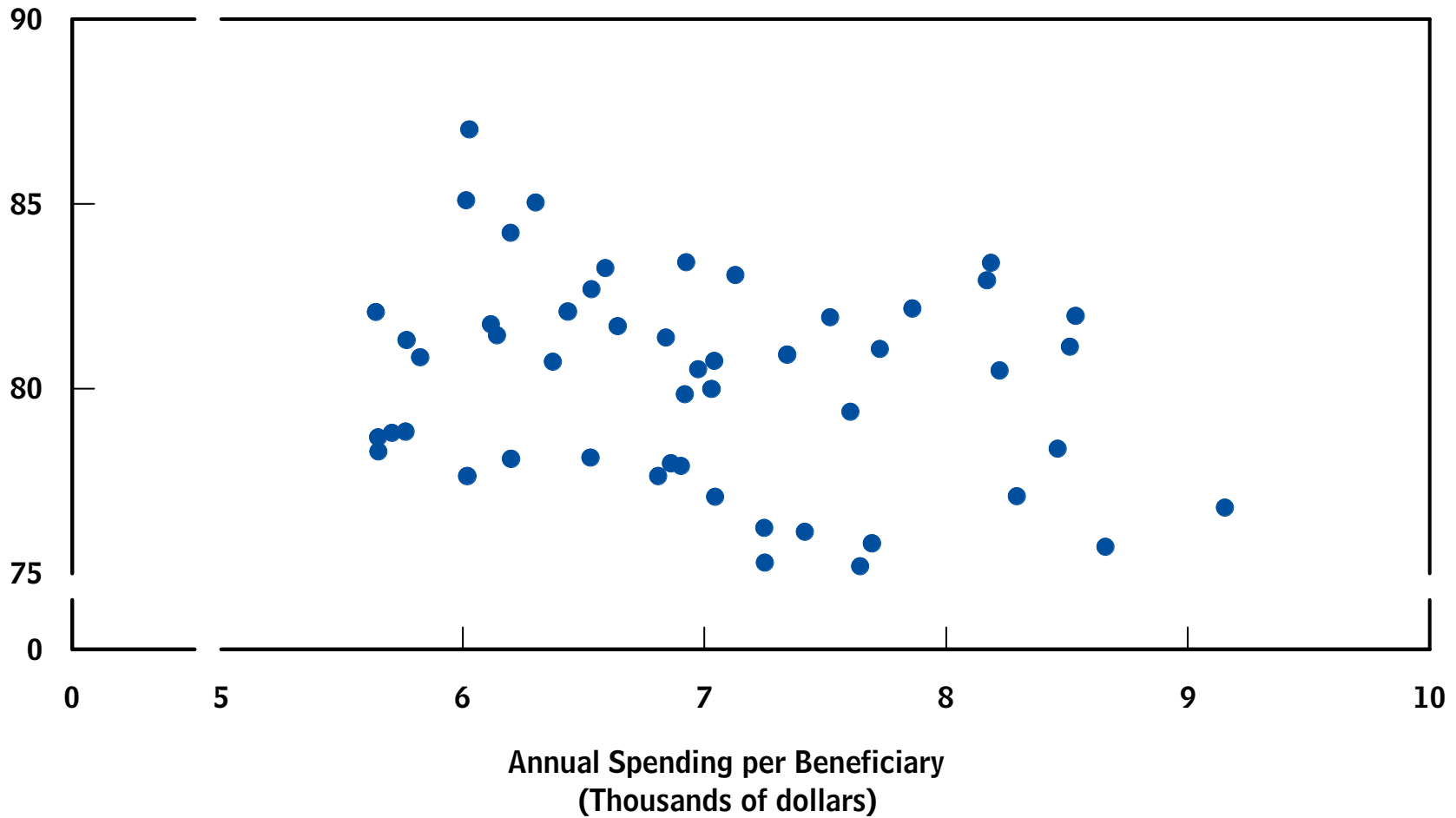


Source: John Wennberg, Dartmouth Medical School.



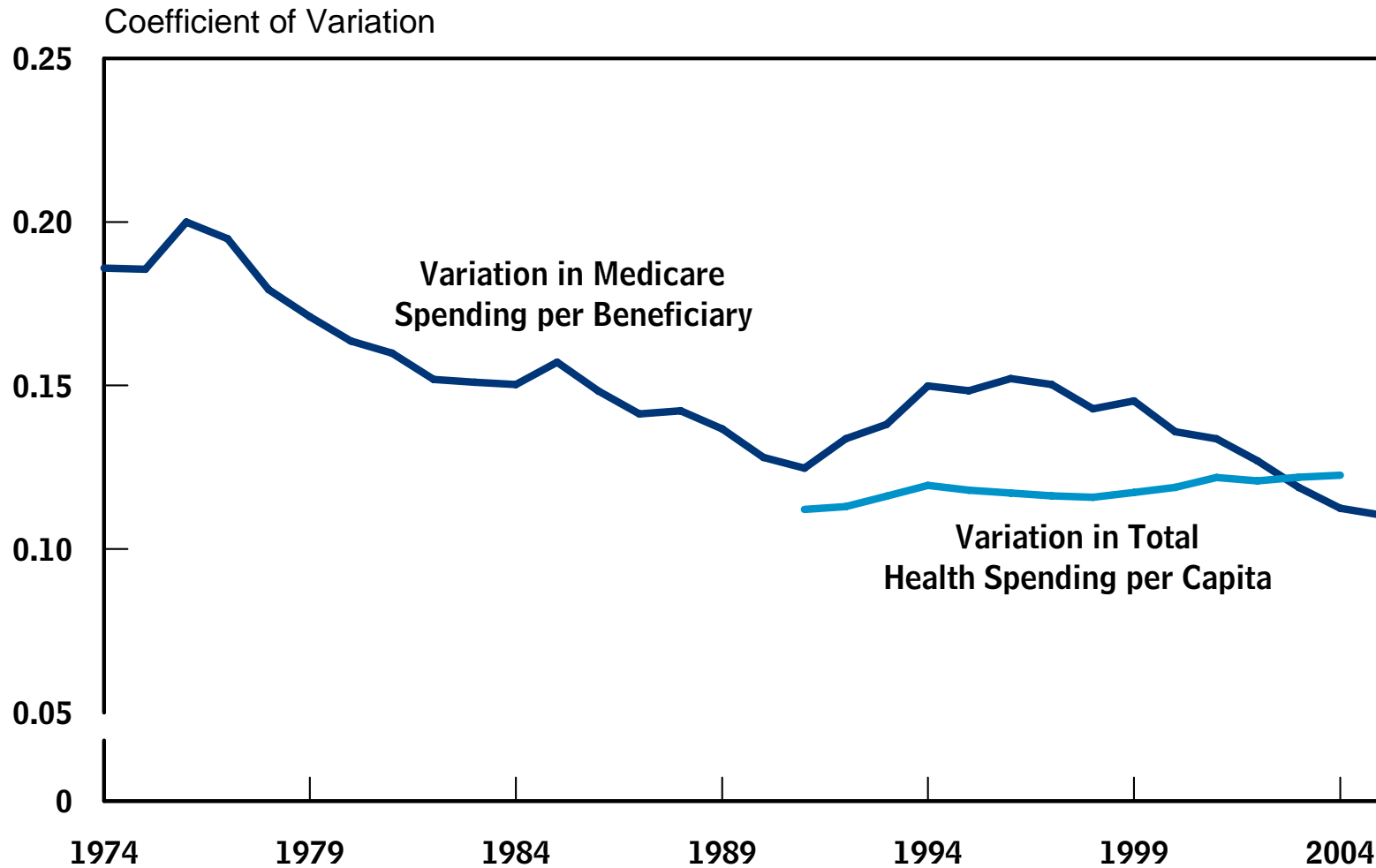
The Relationship Between Quality of Care and Medicare Spending, by State, 2004

Composite Measure of Quality of Care, 100 = Maximum





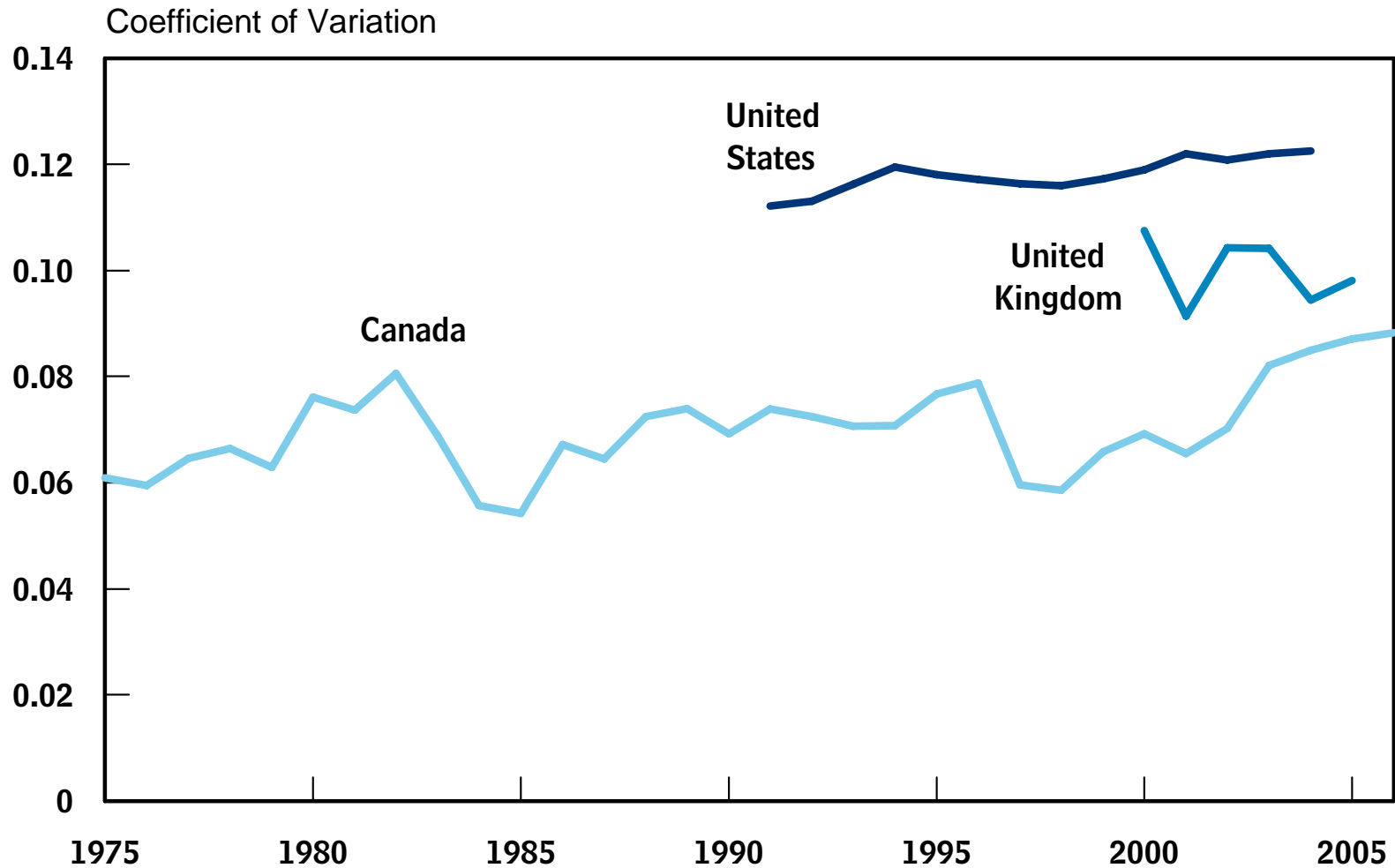
Variation in State-Level Medicare and Overall Health Care Spending per Capita



Source: Based on data from CMS.



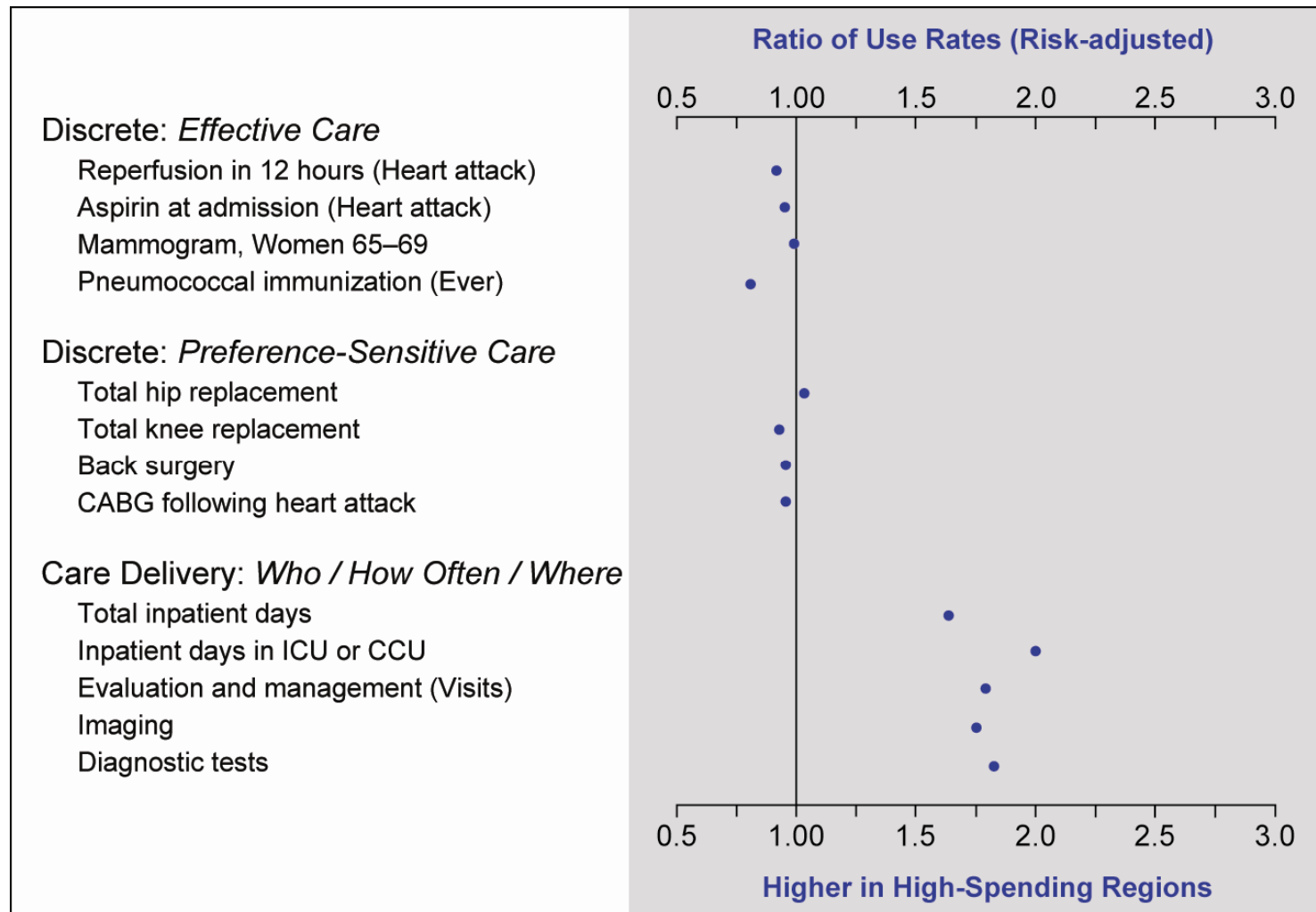
Geographic Variation in Health Care Spending per Capita in Selected Countries



Source: Based on data from CMS, HM Treasury (U.K.), and the Canadian Institute for Health Information.



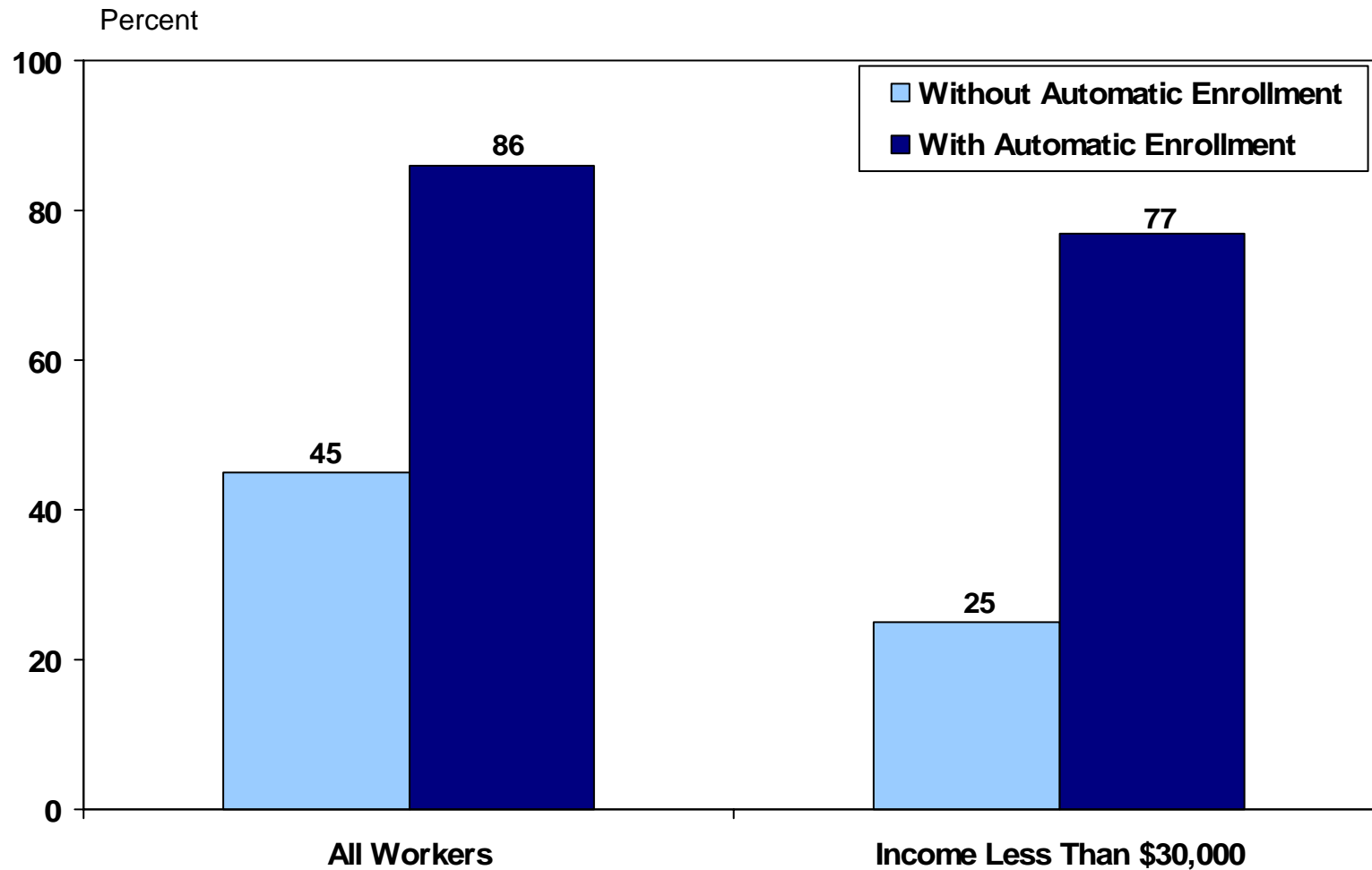
What Additional Services Are Provided in High-Spending Regions?



Source: Elliot Fisher, Dartmouth Medical School.



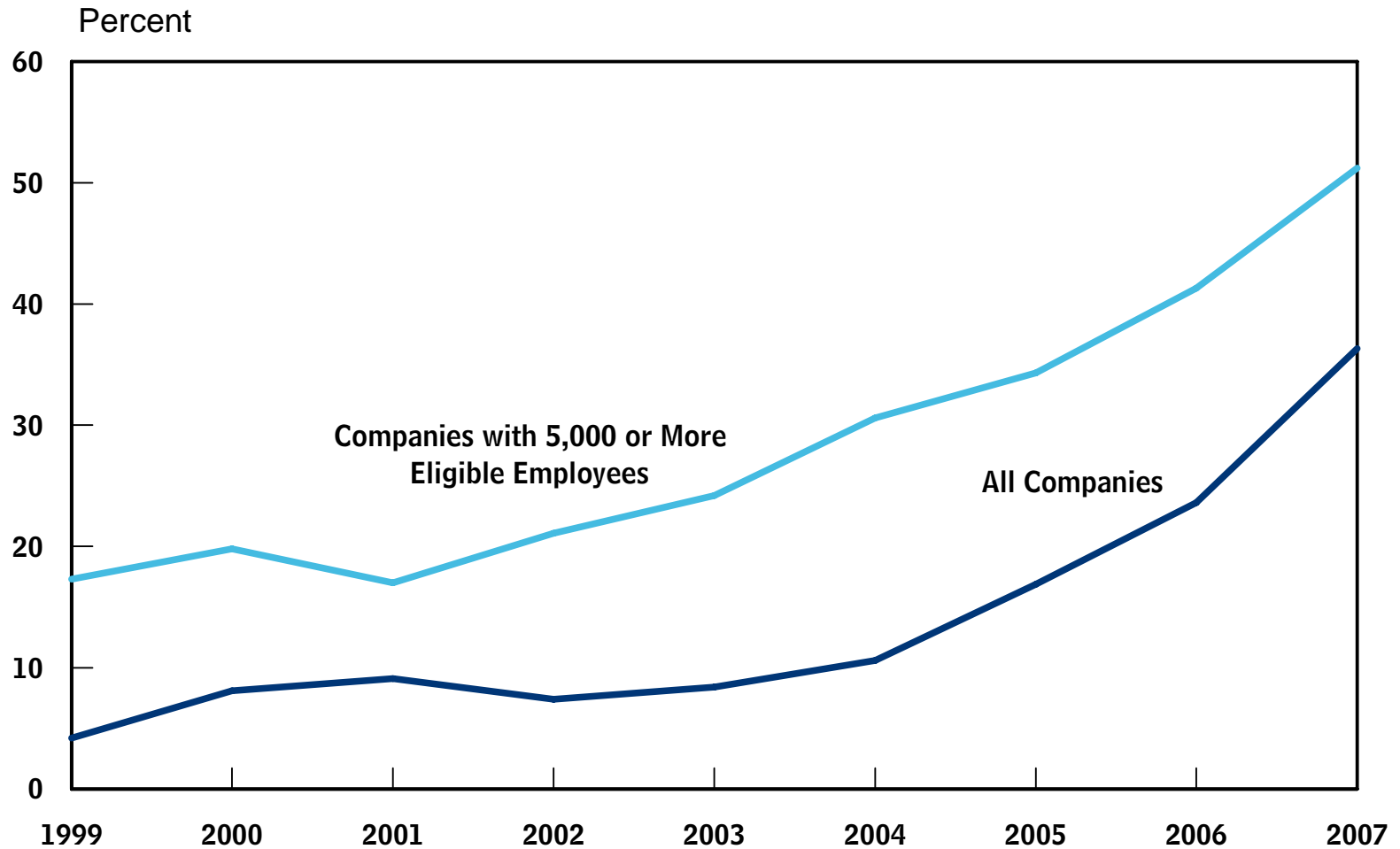
The Effect of Automatic Enrollment on Initial Participation Rates in Companies with 401(k) Plans



Source: Nesmith, Utkus, and Young.



Share of 401(k) Plans Featuring Automatic Enrollment



Source: Data from Profit Sharing/401k Council of America.

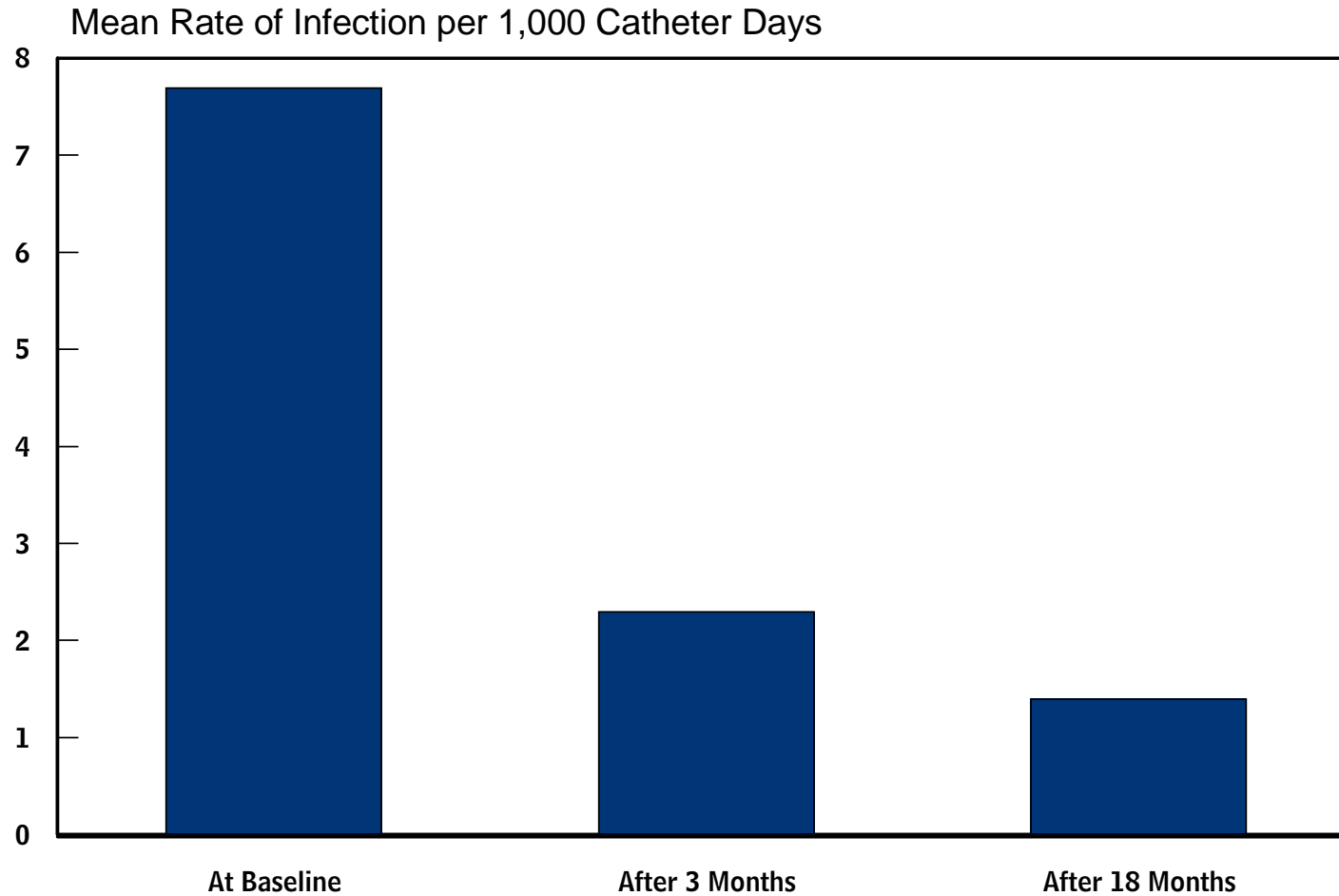


Behavioral Pathways to Increasing Efficiency in Health Care

- Boost demand for efficiency by increasing the salience of health care costs (for example, making the full cost of insurance more evident to enrollees)
- Improve information about cost-effectiveness (necessary but not sufficient) and align incentives
- Shift behavioral norms among health care providers toward more effective, lower-cost, evidence-based care
- Set cost-effective defaults for both enrollees and health care providers



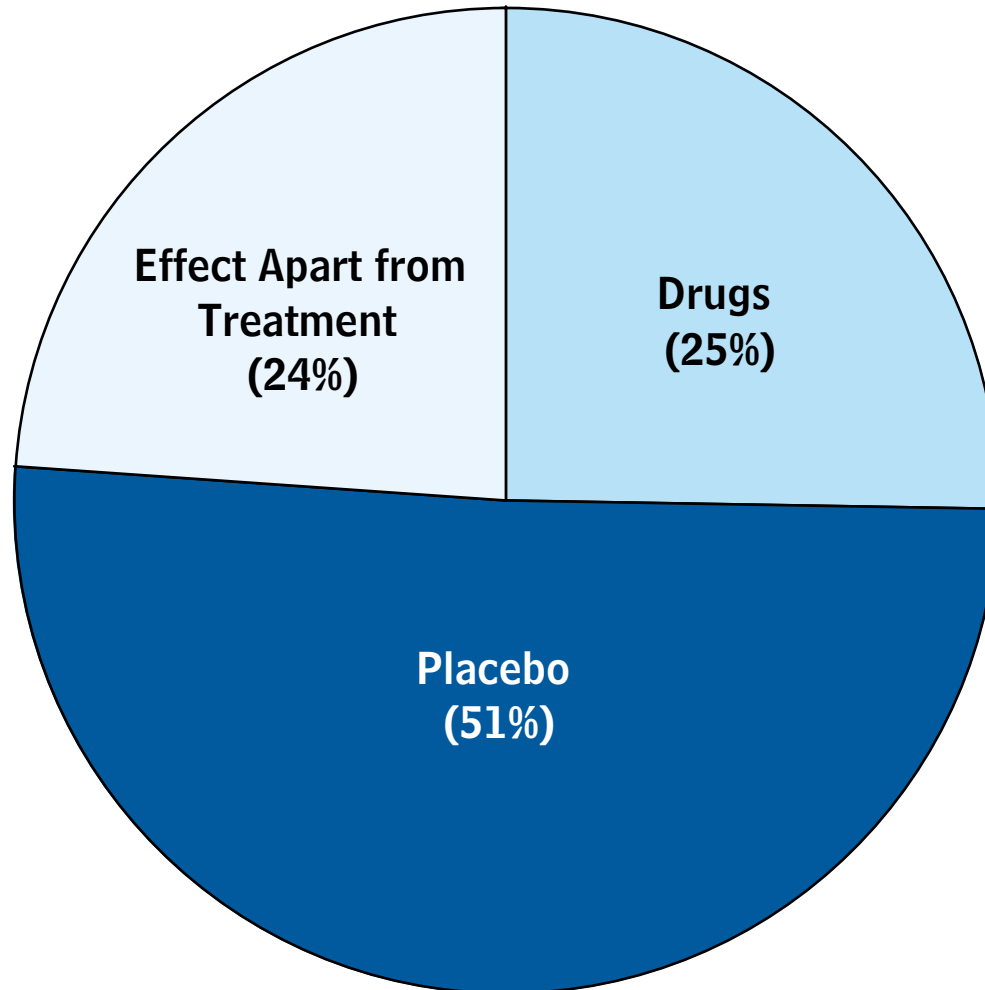
Shifting Professional Norms: Catheter Infections in Michigan ICUs After Instituting a Checklist



Source: Provonost and others (2006).



The Placebo Effect: Antidepressants

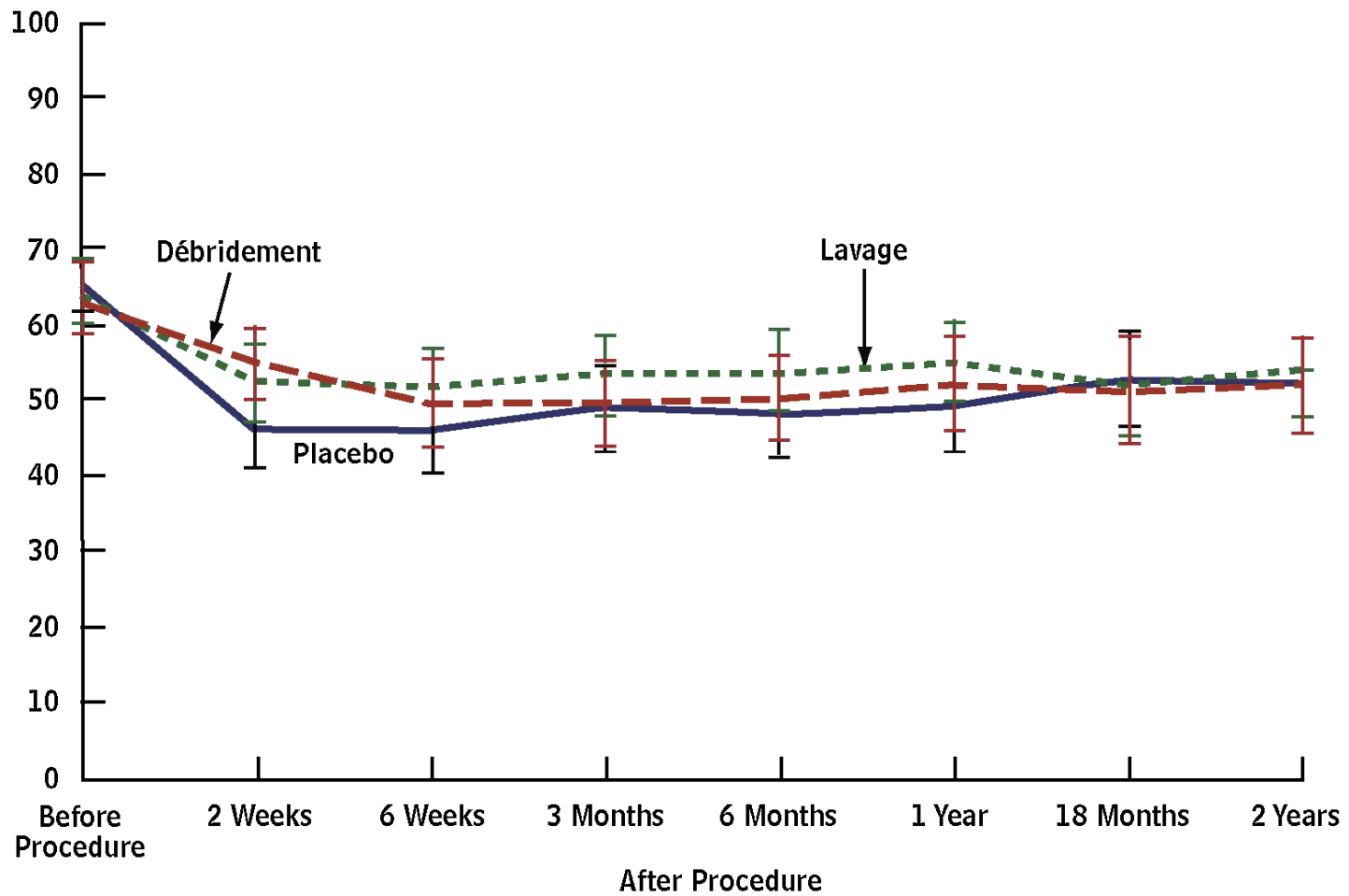


Source: Kirsch and Sapirstein (1998).



The Placebo Effect: Reduction of Pain After Knee Surgery

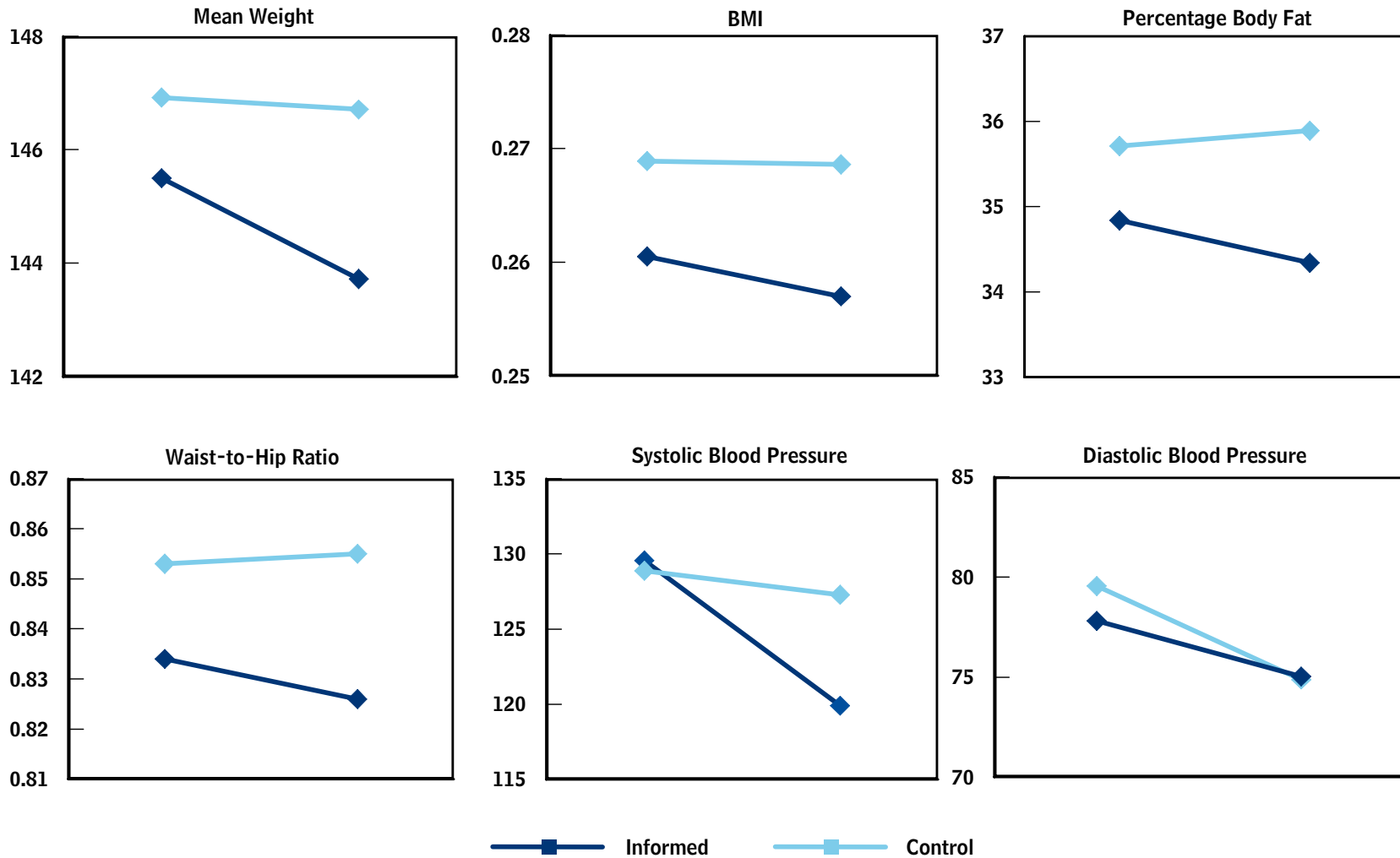
Mean Knee-Specific Pain Scale Score



Source: Mosely and others (2002).



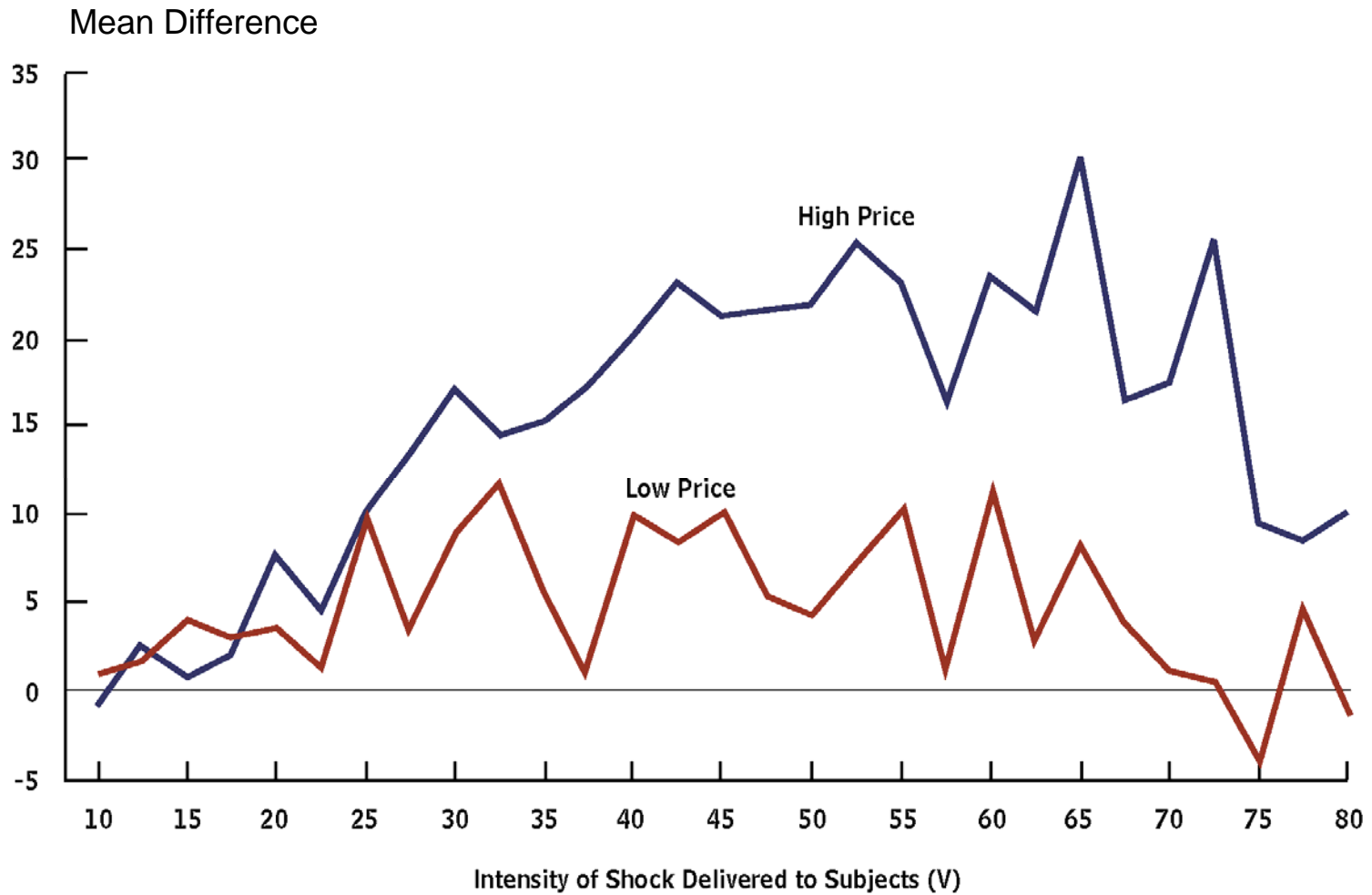
The Placebo Effect: Fitness Outcomes from “Perceived” Exercise



Source: Crum and Langer (2007).



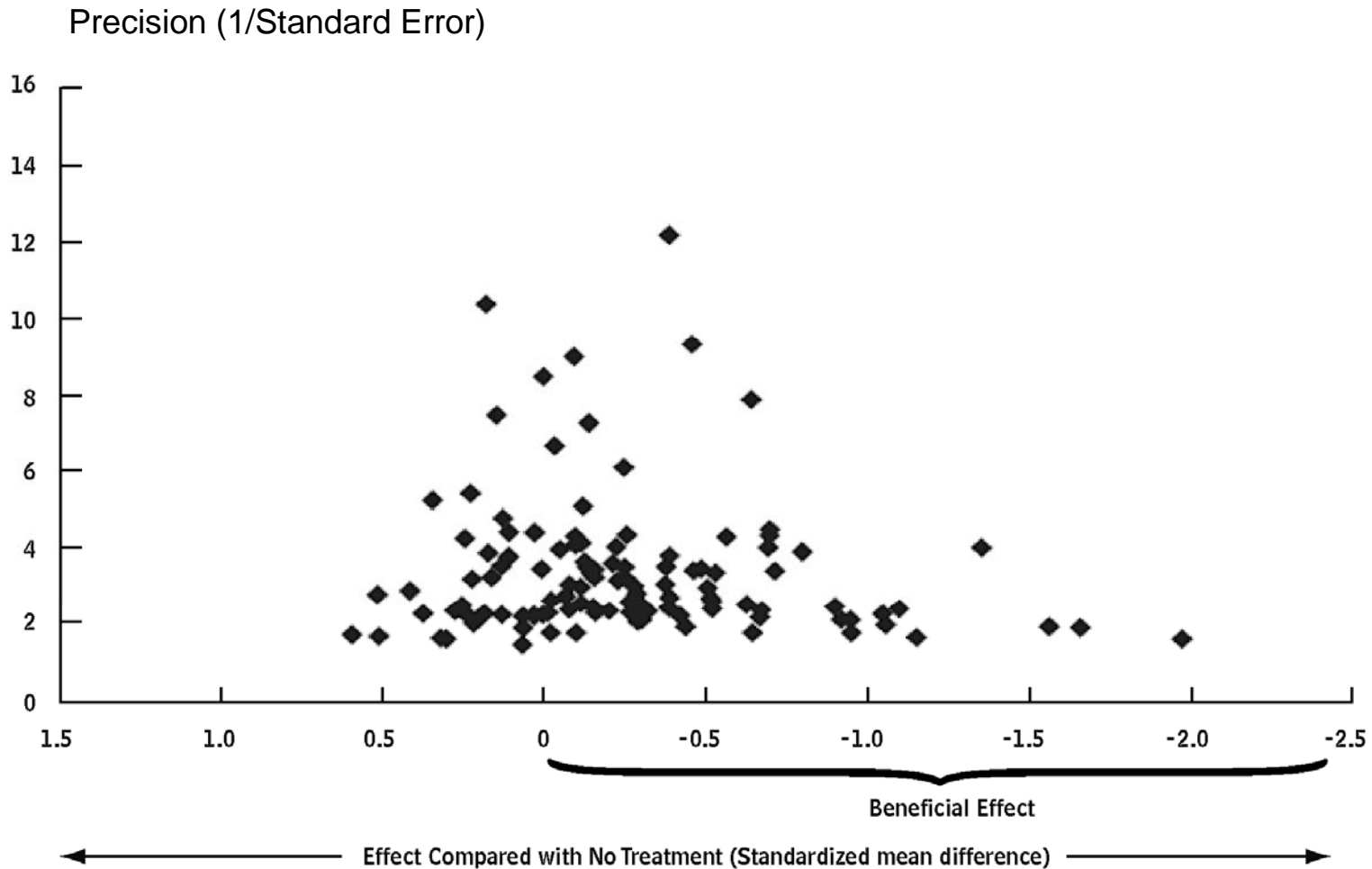
The Placebo Effect: The Effect of Price on Effectiveness



Source: Waber and others (2008).



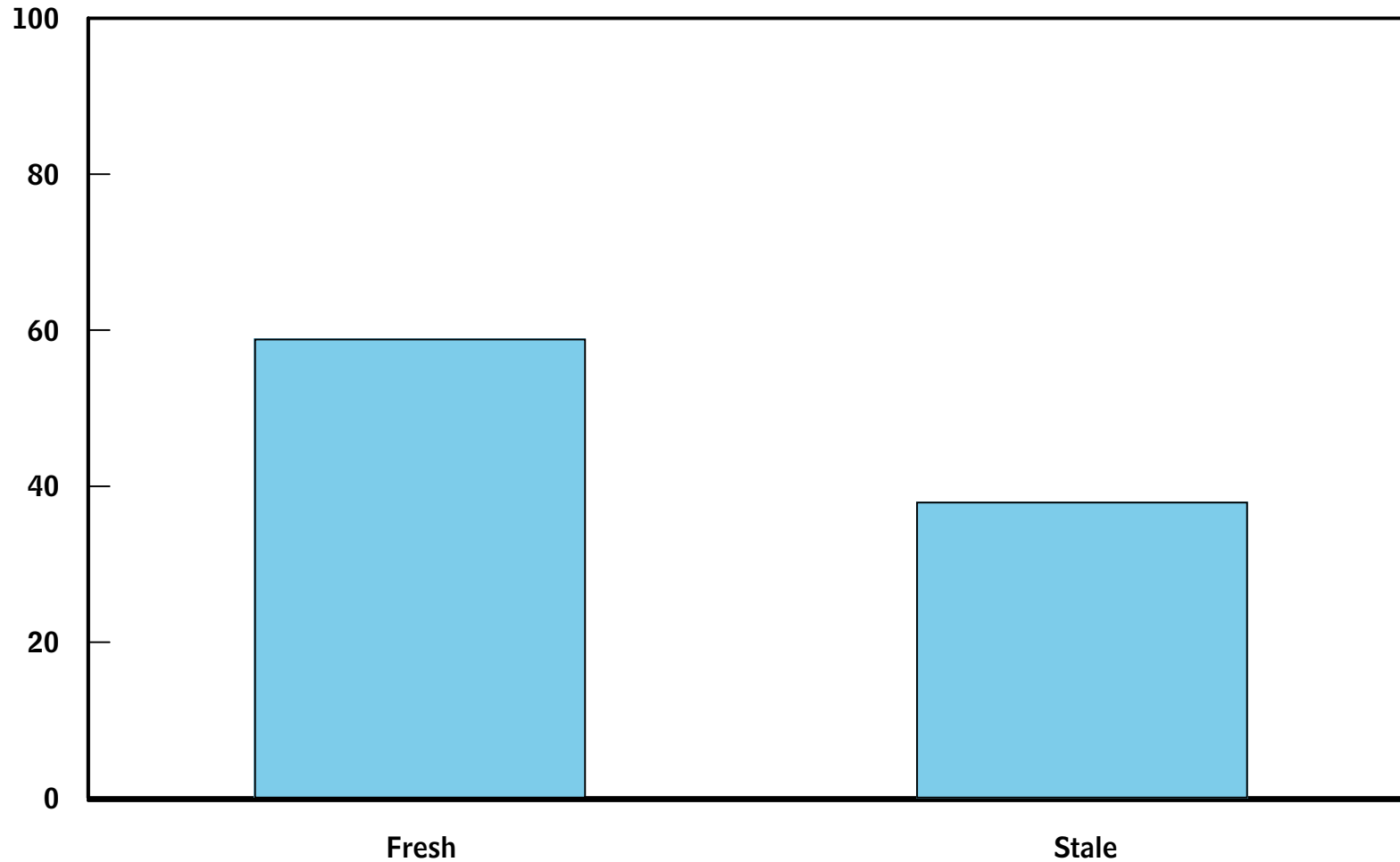
The Placebo Effect: The Impact vs. No Treatment, by Studies' Precision



Source: Hrobjartsson and Gøtzsche (2004).



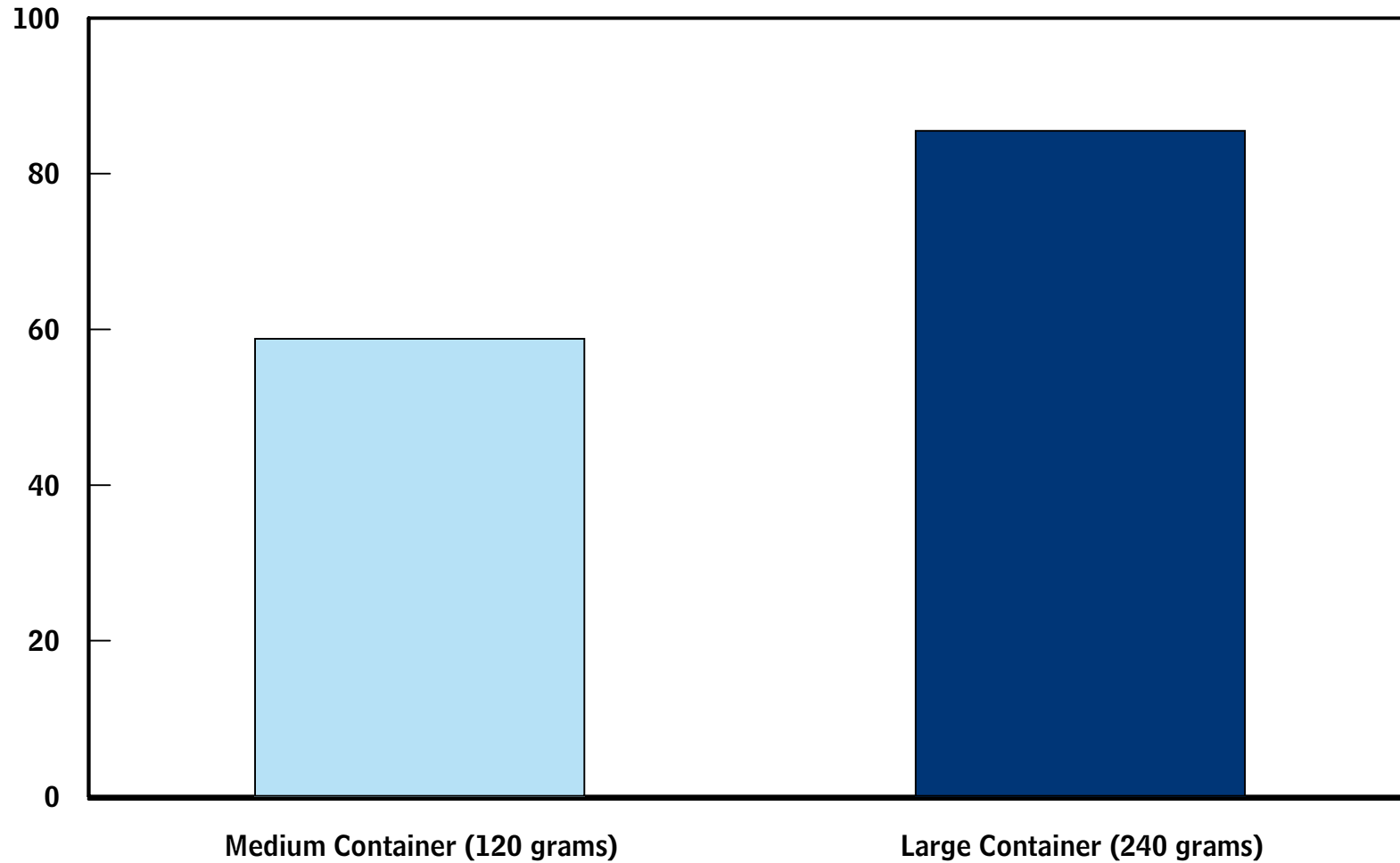
Consumption of Fresh vs. Stale Popcorn from a Medium-Sized (120 g) Container



Source: Wansink and Kim (2005).



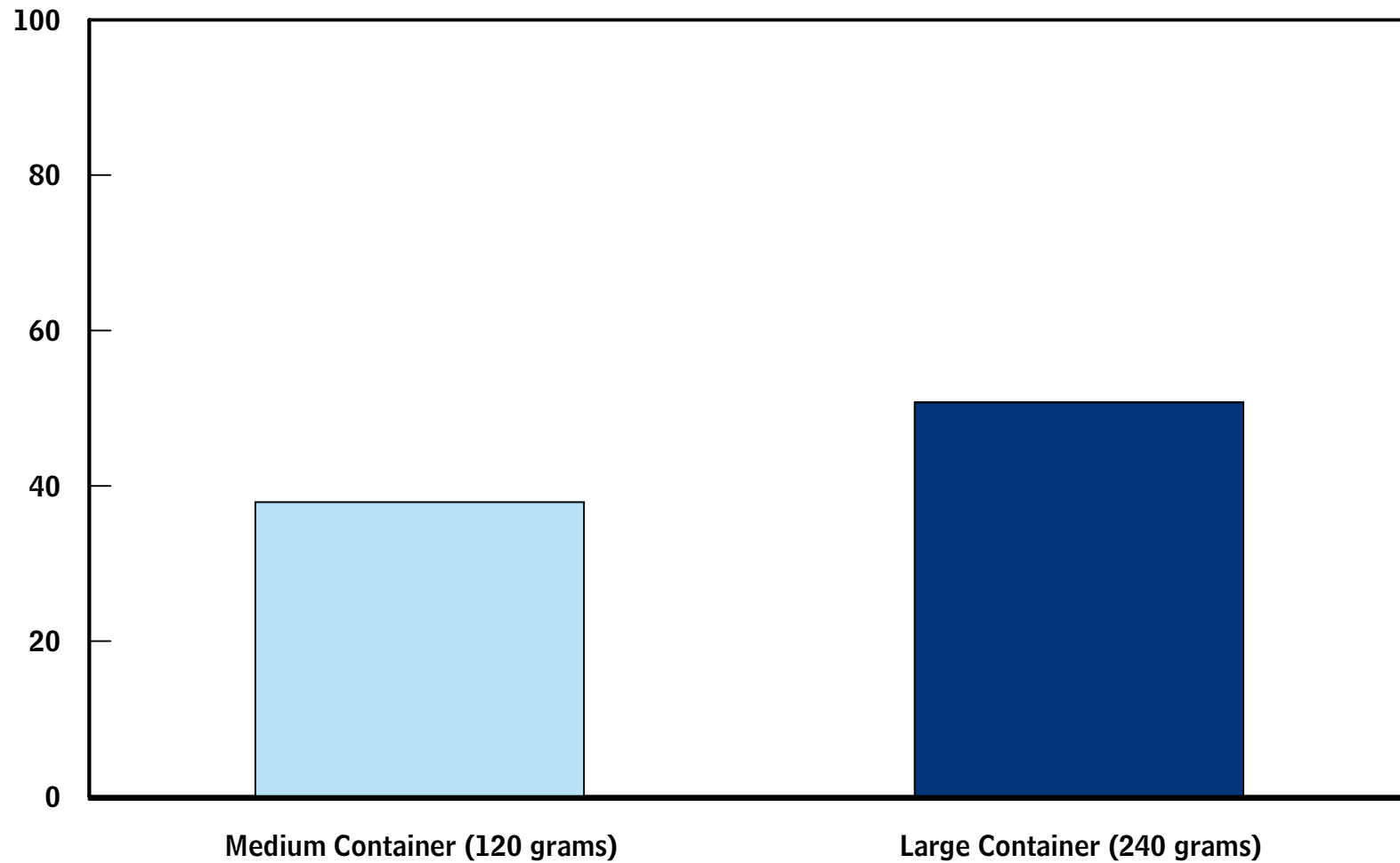
Influence of Container Size on the Consumption of Fresh Popcorn



Source: Wansink and Kim (2005).



Influence of Container Size on the Consumption of Stale Popcorn



Source: Wansink and Kim (2005).

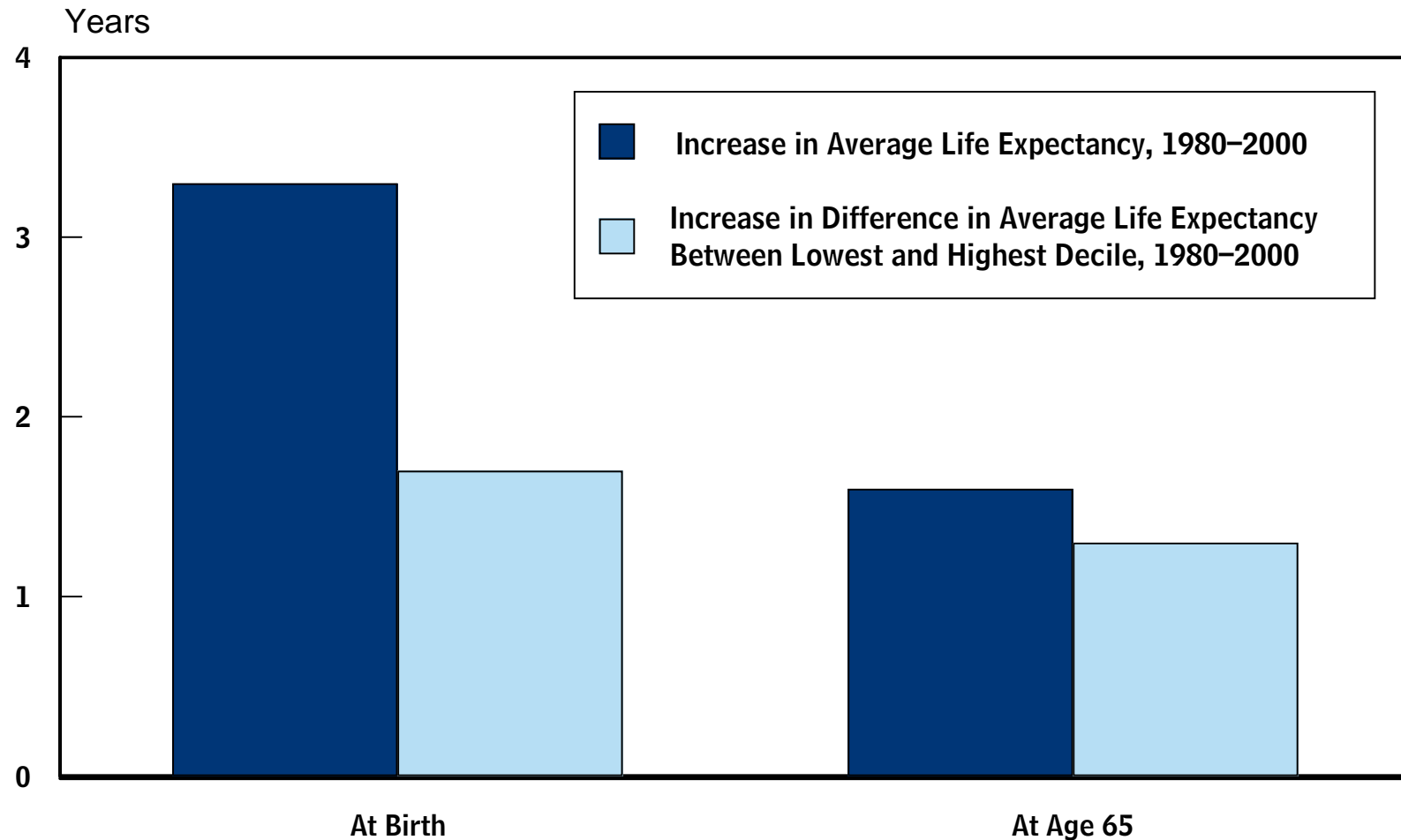


Some Behavioral Avenues for Reform in Federal Nutrition Programs

- 20 percent of Americans participate in a federal nutrition program
- Supplemental Nutrition Assistance Program
 - Disbursing benefits more frequently could reduce stockpiling and bingeing
- School Lunch Program
 - Placing healthier foods at the front of cafeteria lines could increase their prominence and consumption
 - Decreasing the size of tables could reduce distraction-driven overeating



Increase in Life Expectancy, and Increase in Difference in Life Expectancy by Economic Status



Source: Data from Singh and Siahpush (2006) and CDC.



CBO's Activities in Analyzing Health Care

- **New Hires and Expanded Staffing**
 - New deputy assistant director (Keith Fontenot) in the Budget Analysis Division
 - Increase in health staff agencywide from 30 FTEs to 50 FTEs
 - FY 2009 plans

- **Reports and Analysis in 2008**
 - Critical Topics in Health Reform
 - Health Options