



Congressional Budget Office

November 4, 2016

Understanding the 2016 Budget Outlook

Presentation to the American Academy of Actuaries
Washington, D.C.

Keith Hall

Director

This presentation draws on *An Update to the Budget and Economic Outlook: 2016 to 2026* (August 2016), www.cbo.gov/publication/51908; *The Long-Term Budget Outlook* (July 2016), www.cbo.gov/publication/51580; *Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2016 to 2026* (March 2016), www.cbo.gov/publication/51385; and related CBO publications.

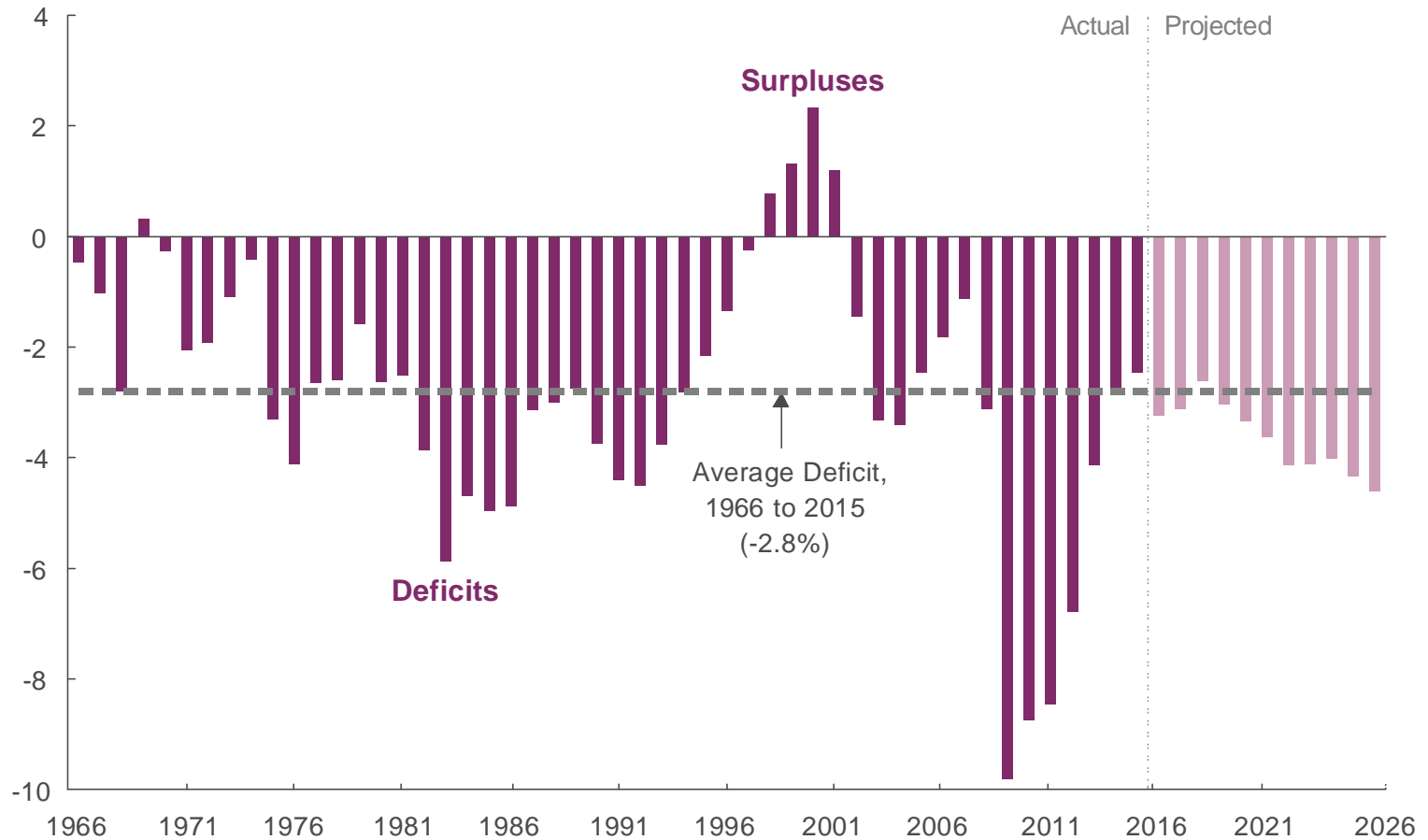
CBO's Budget Projections Through 2026 as of August 2016

CBO provides **objective, nonpartisan** information to the Congress.

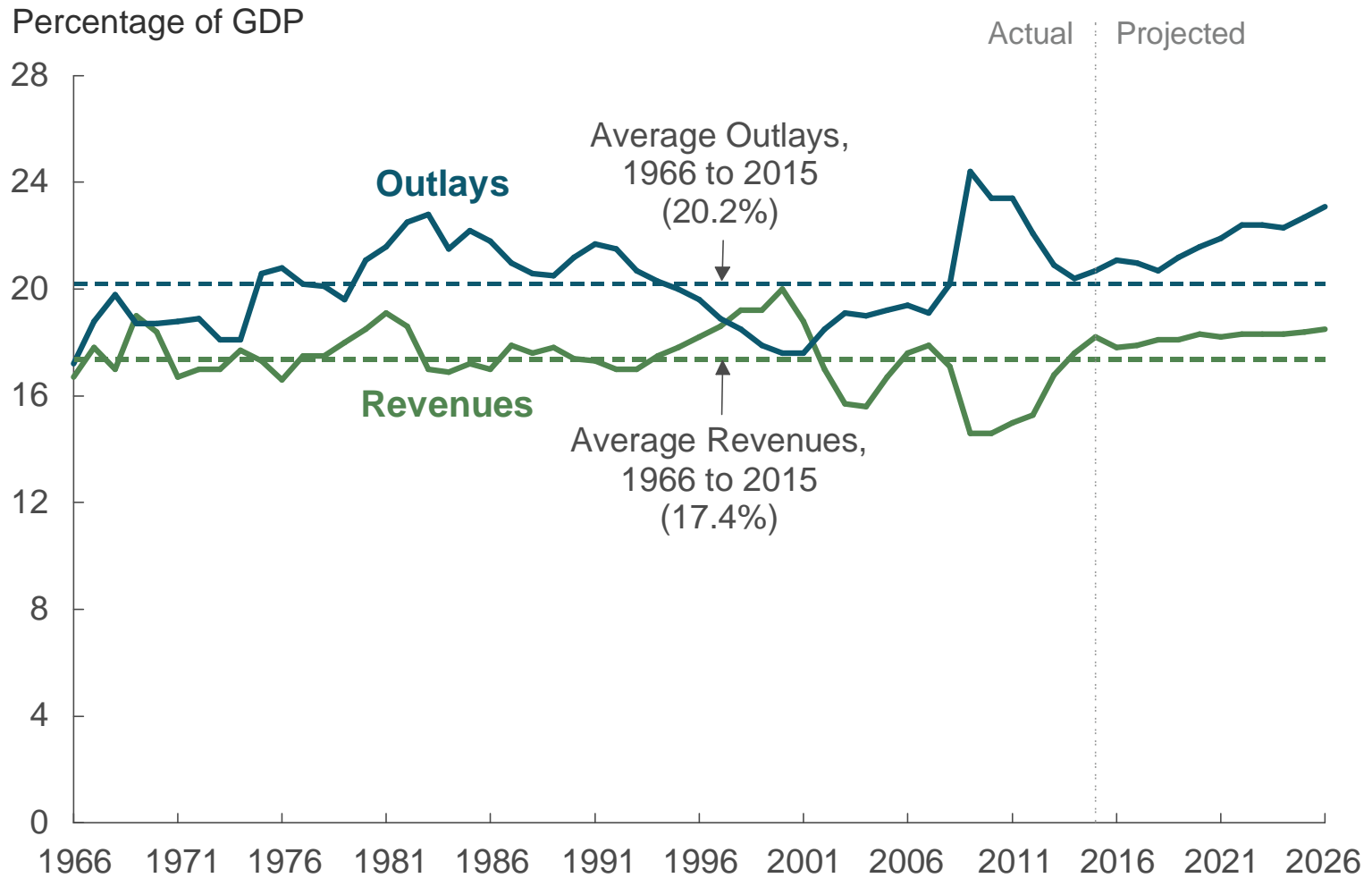
CBO produces estimates of the effects of changes in federal policies and makes **baseline projections** of federal spending, revenues, and deficits under current law.

Total Deficits or Surpluses

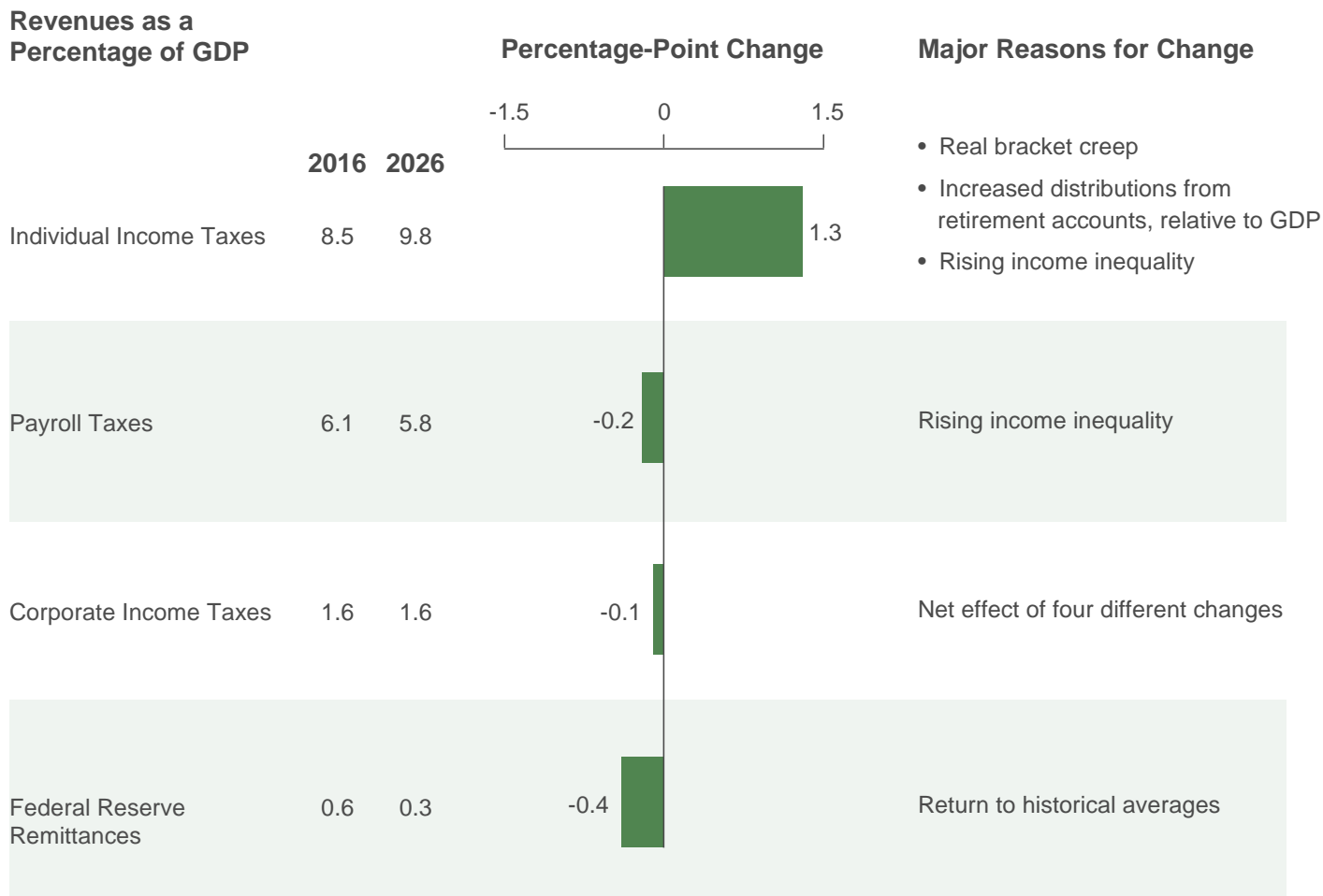
Percentage of GDP



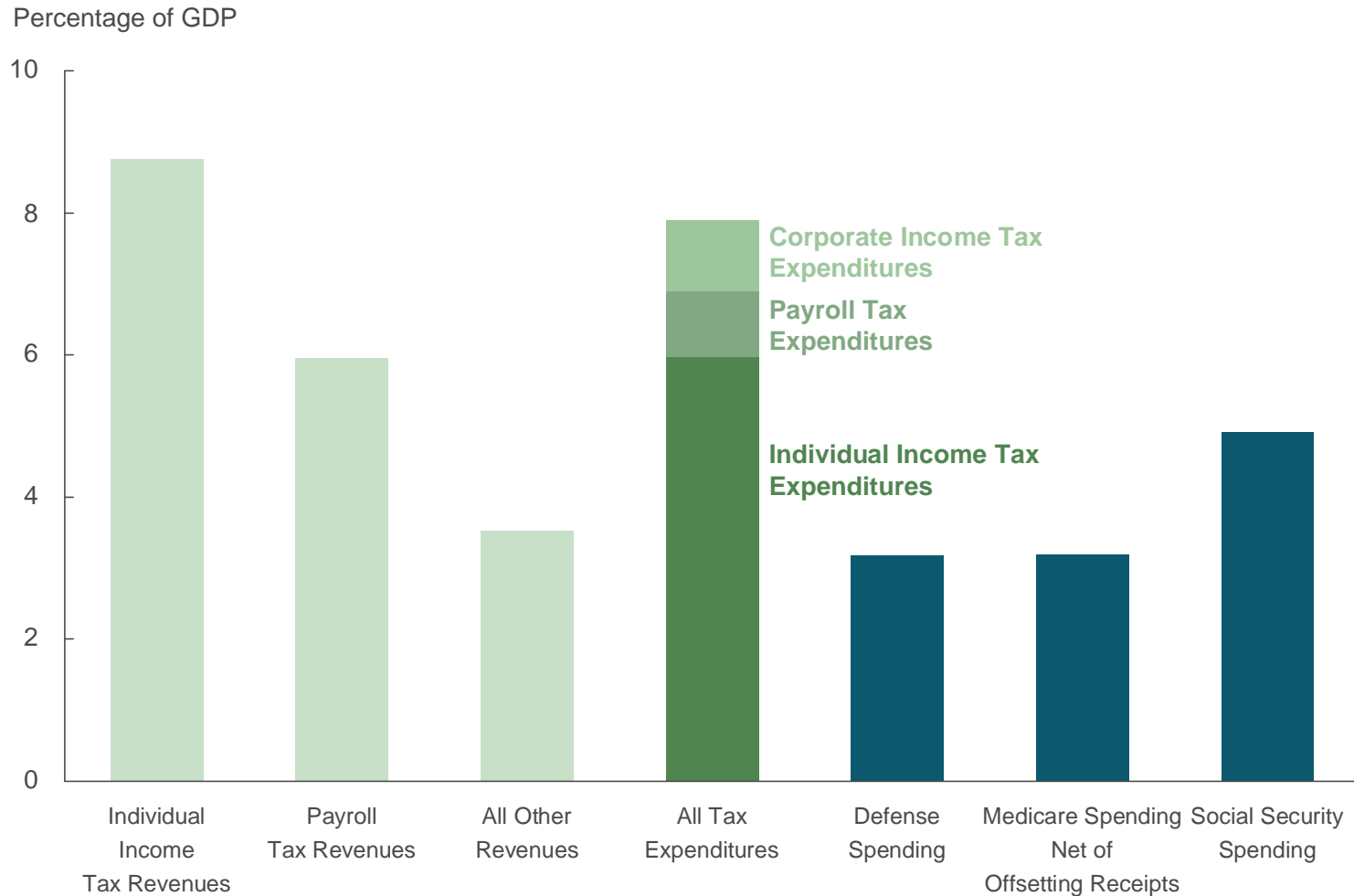
Total Revenues and Outlays



Major Changes in Projected Revenues From 2016 to 2026

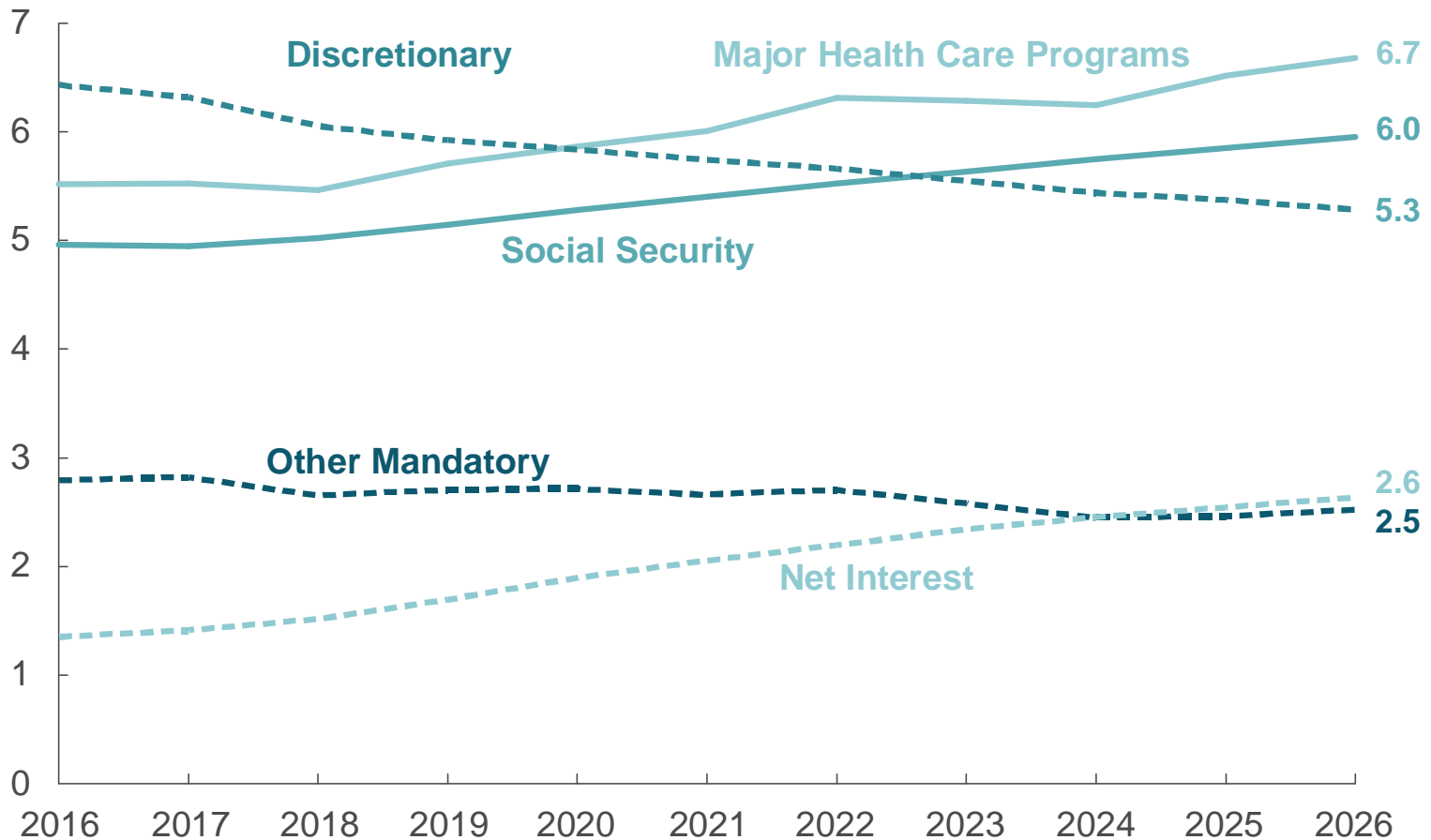


Tax Expenditures and Other Budget Categories in 2016



Projected Outlays in Major Budget Categories

Percentage of GDP



Net Federal Subsidies for Health Insurance for People Under Age 65 (Projected as of March 2016)

Billions of Dollars

	2016	2017–2026
Employment-Based Coverage	268	3,629
Medicaid and CHIP ^a	279	3,790
Nongroup Coverage and Basic Health Plan	48	919
Medicare ^b	80	979
Taxes and Penalties Related to Coverage	-15	-441
Net Federal Subsidies	660	8,877

a. For Medicaid, this includes only outlays for medical services for noninstitutionalized enrollees under 65 who have full benefits.

b. Outlays for benefits net of offsetting receipts (such as premiums) for noninstitutionalized Medicare beneficiaries under 65.

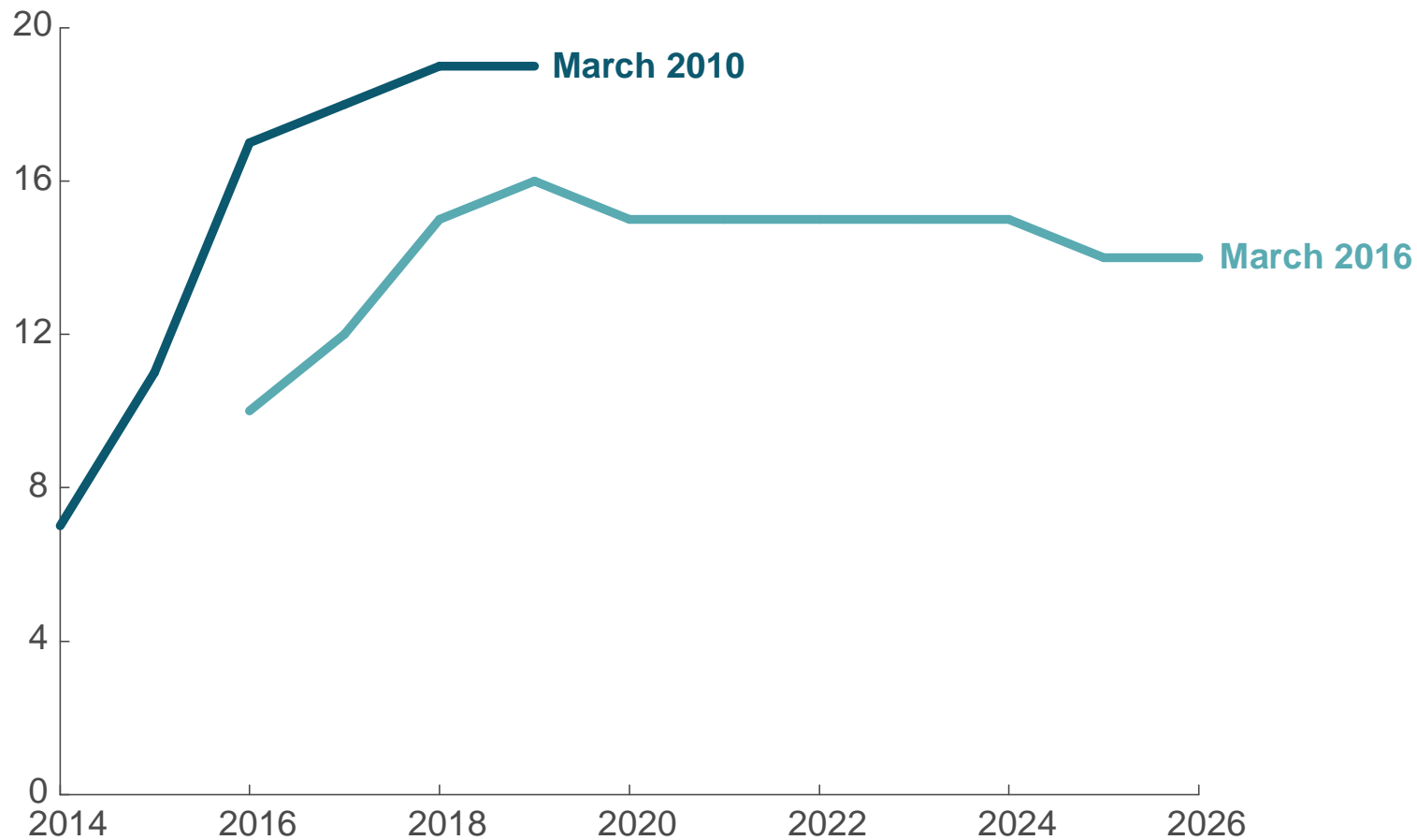
CBO usually updates its baseline projections three times a year. The spring baseline is the major update for the Affordable Care Act (ACA) marketplaces.

Types of changes include these:

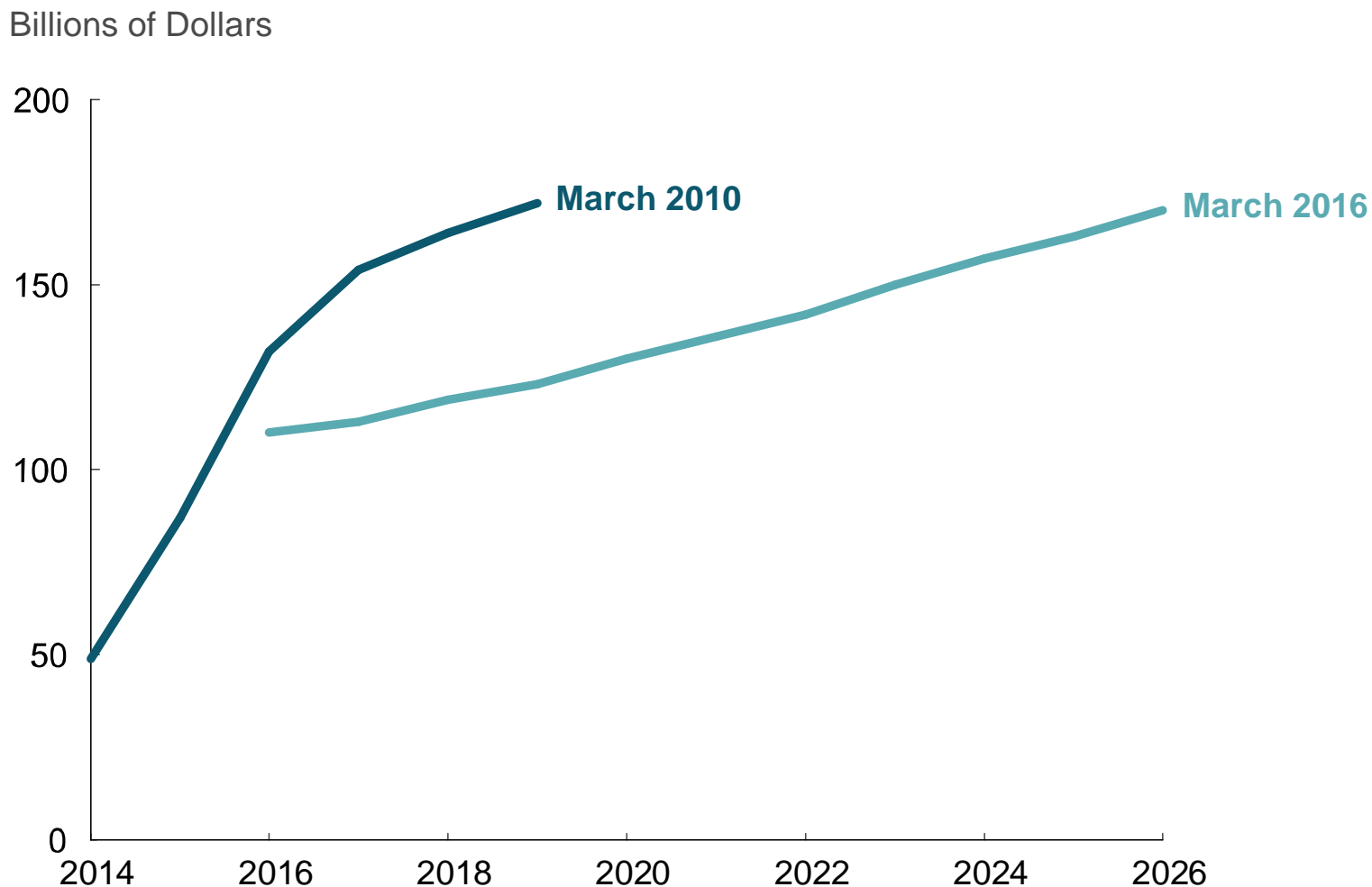
- Changes in law;
- Changes in CBO's economic forecast; and
- Technical changes from new information, data, regulations, and modeling assumptions.

Projections of Subsidized Enrollment in the Health Insurance Marketplaces

Millions of People



CBO's and JCT's Estimates of the Net Budgetary Effects of the Insurance Coverage Provisions of the Affordable Care Act



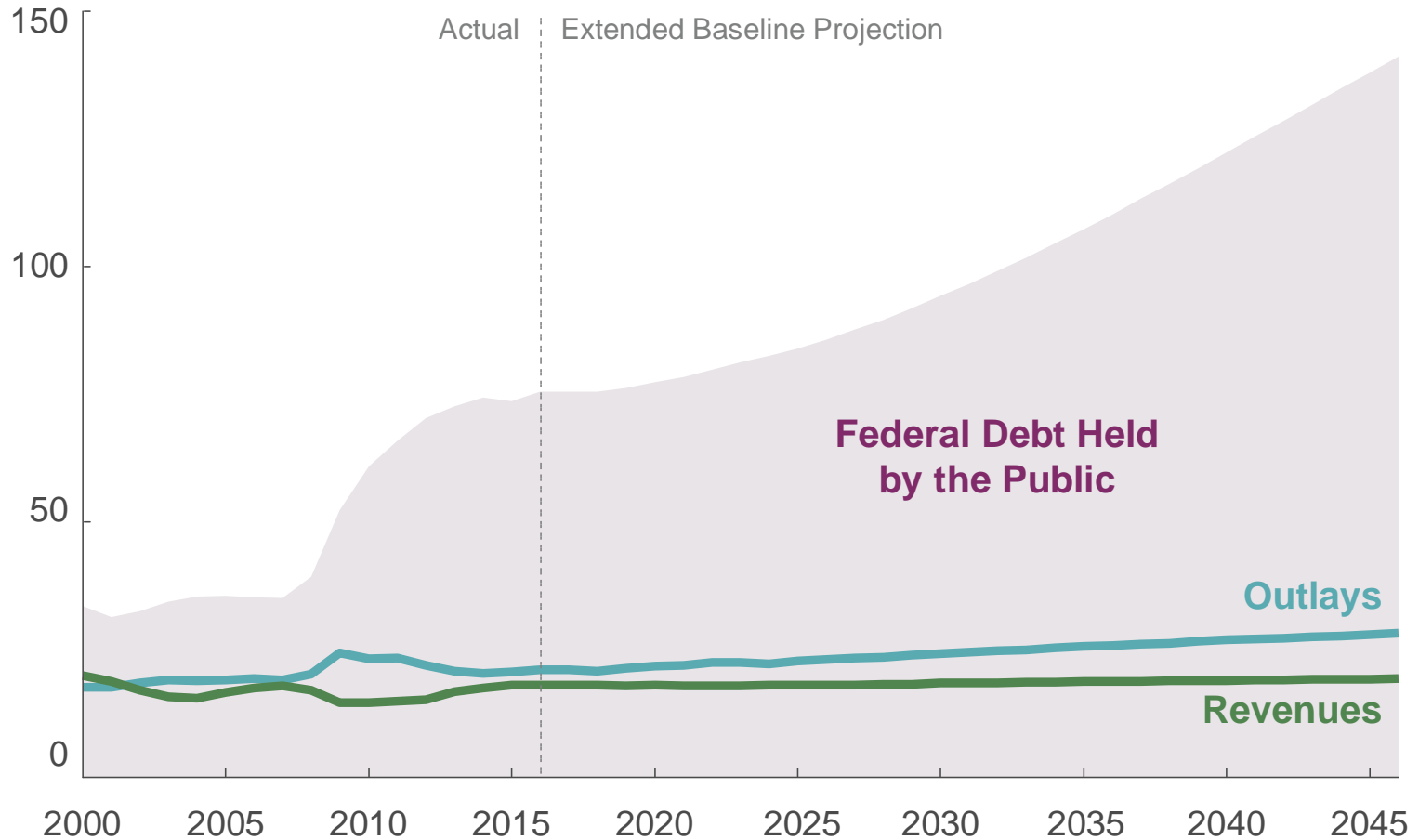
Factors contributing to the lower projections include these:

- Slower-than-expected growth in enrollment through the health insurance marketplaces;
- The slowdown in the overall growth of health care costs; and
- The U.S. Supreme Court's decision that made the expansion of eligibility for Medicaid optional for states.

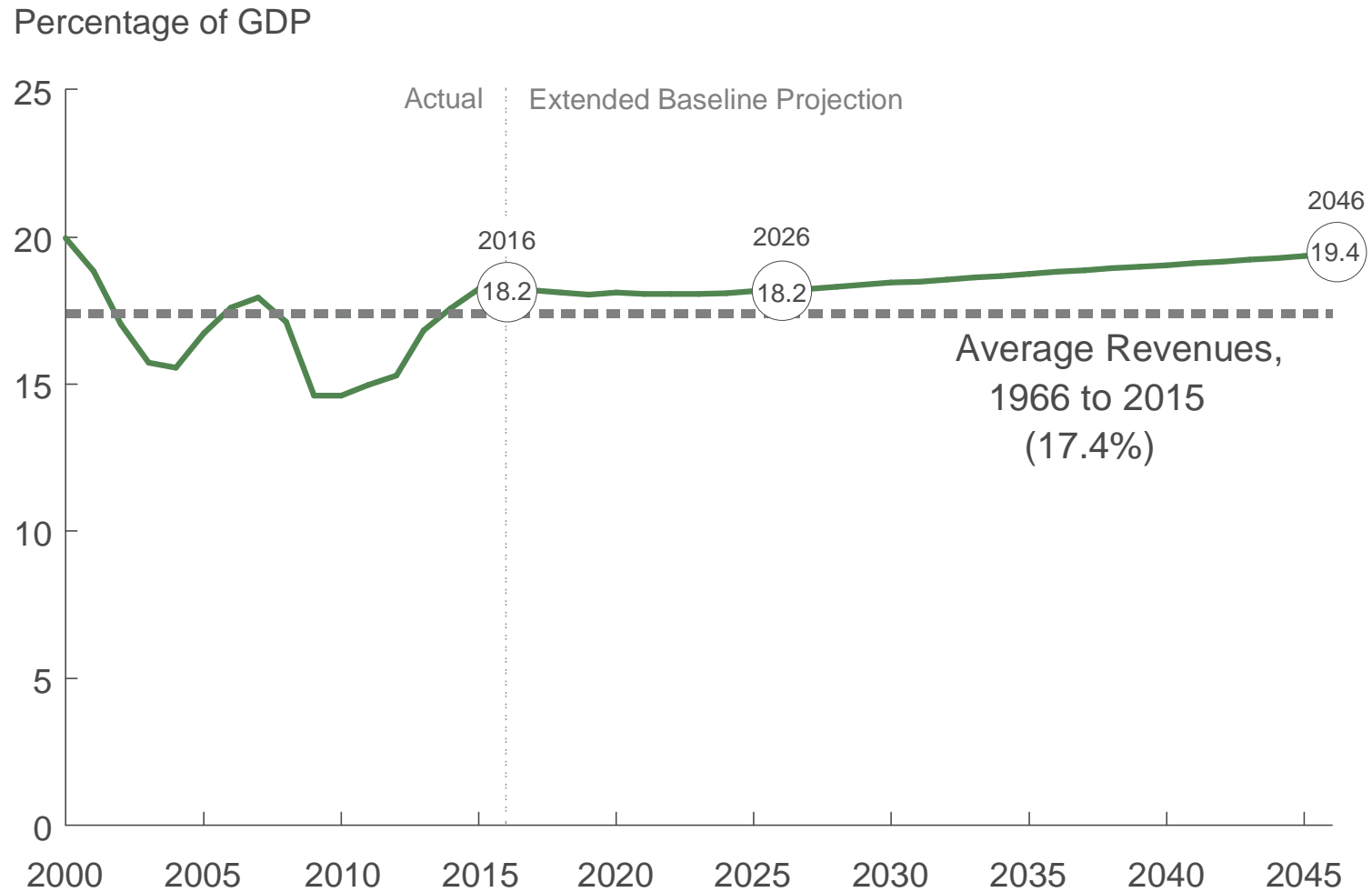
CBO's Budget Projections Through 2046 as of July 2016

Federal Debt, Outlays, and Revenues

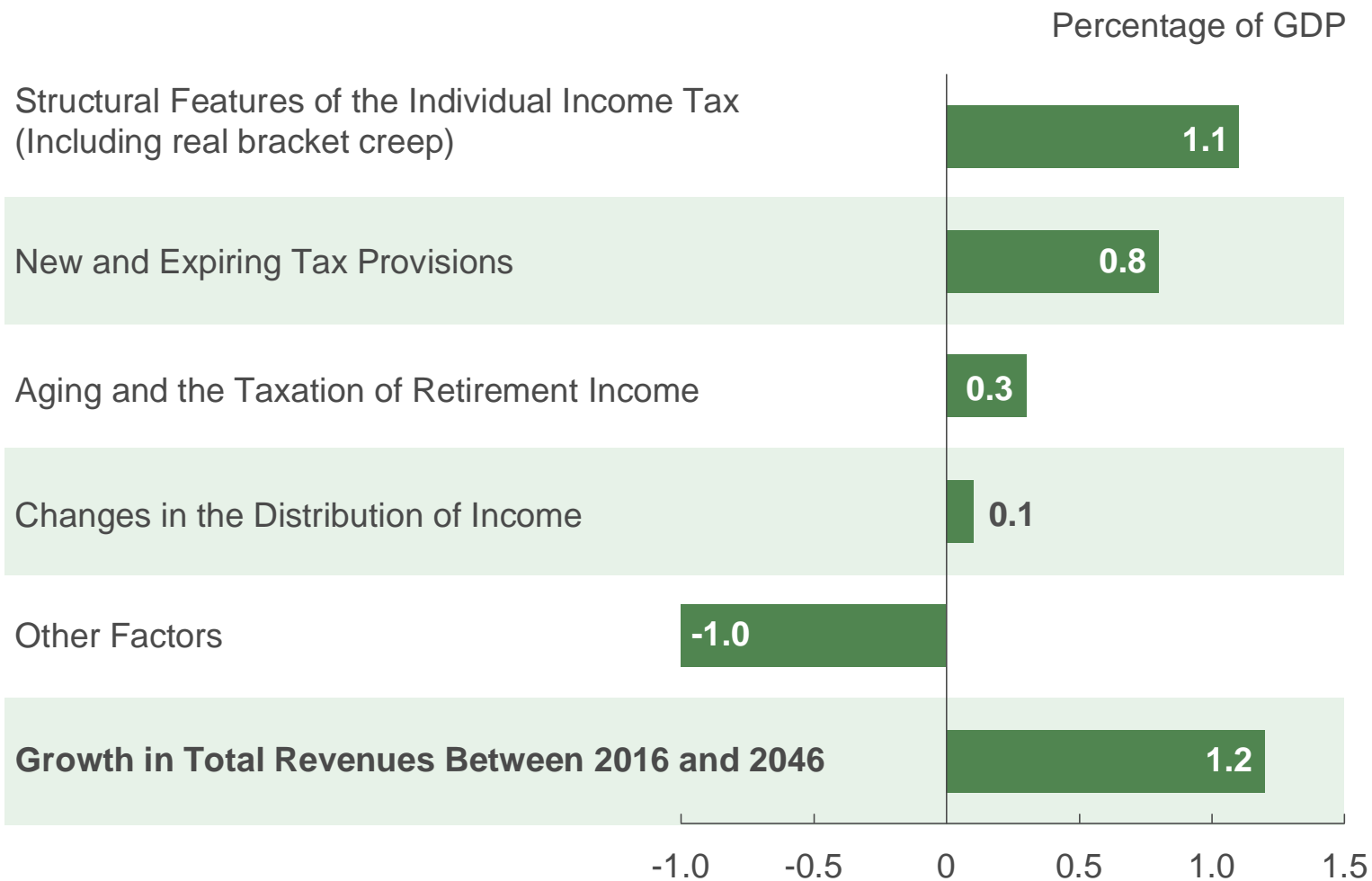
Percentage of GDP



Total Revenues

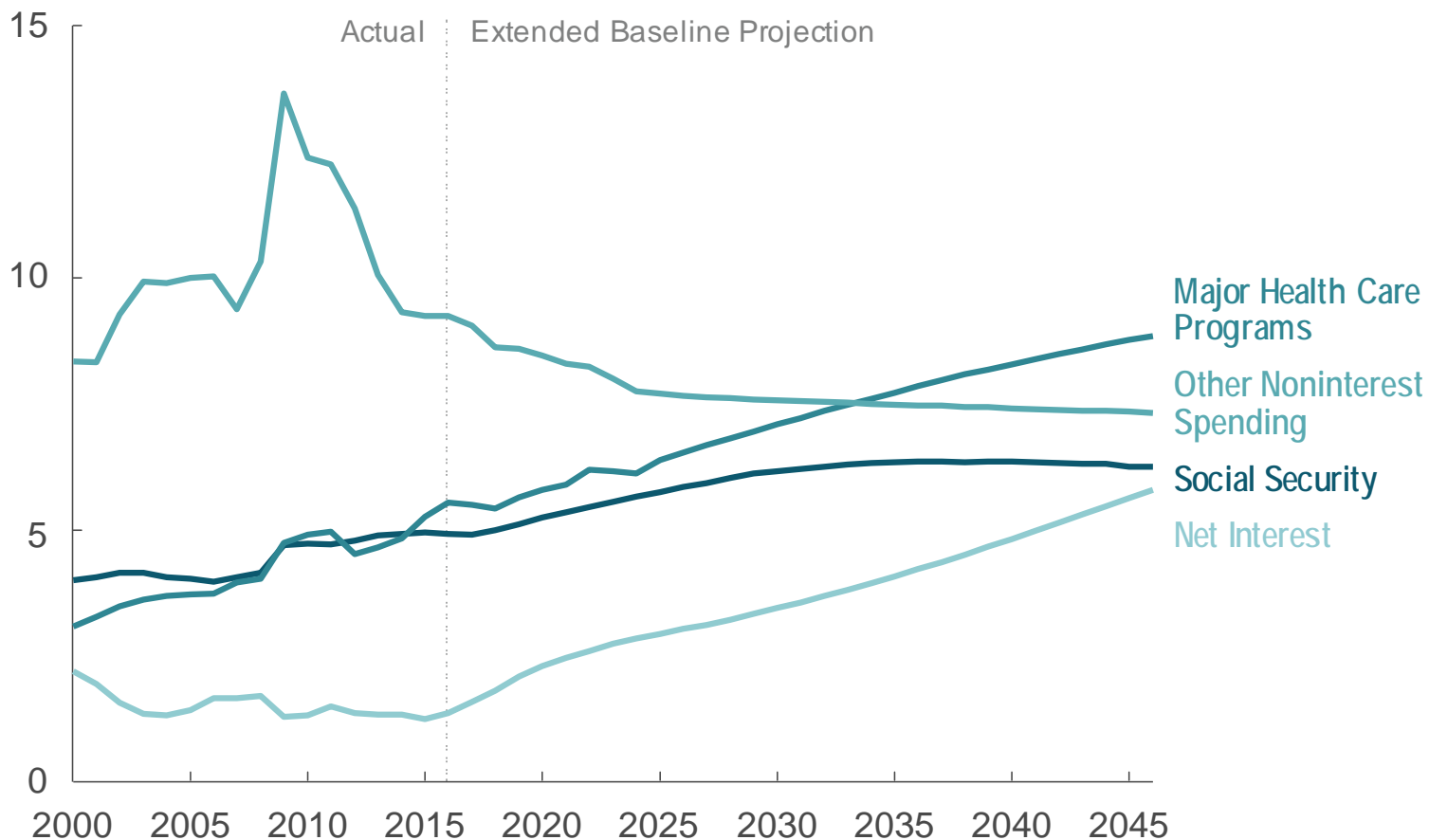


Sources of Growth in Federal Revenues Between 2016 and 2046



Components of Federal Spending

Percentage of GDP



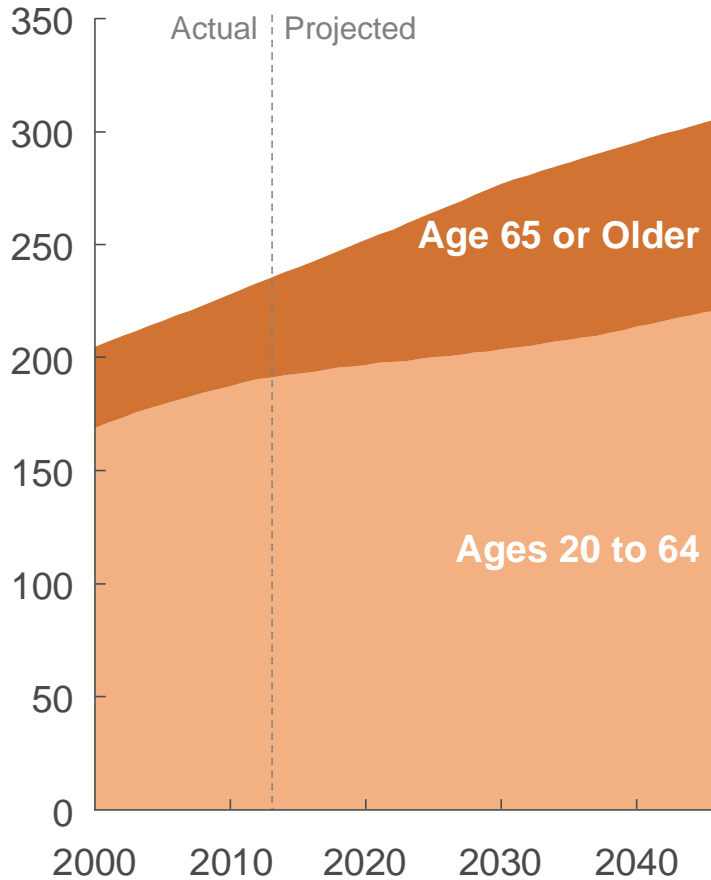
CBO expects that, between 2016 and 2046, **gross federal spending** on major health care programs as a share of GDP will **increase by 4 percentage points**, from 6.1 percent to 10.1 percent.

Of that total, 2.2 percentage points come from **excess cost growth**, meaning that spending per beneficiary, adjusted for demographic changes, will grow more quickly than potential GDP per capita.

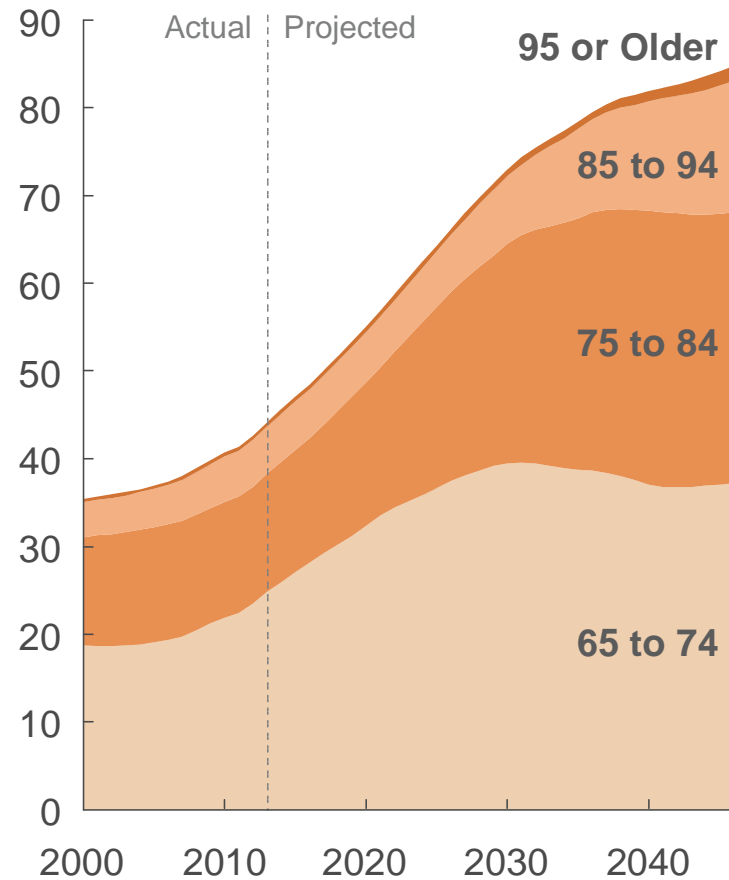
The other 1.8 percentage points come from the **aging of the population**, mostly because aging makes more people eligible for Medicare and increases costs per enrollee.

Changes in Population, by Age Group

Millions of People

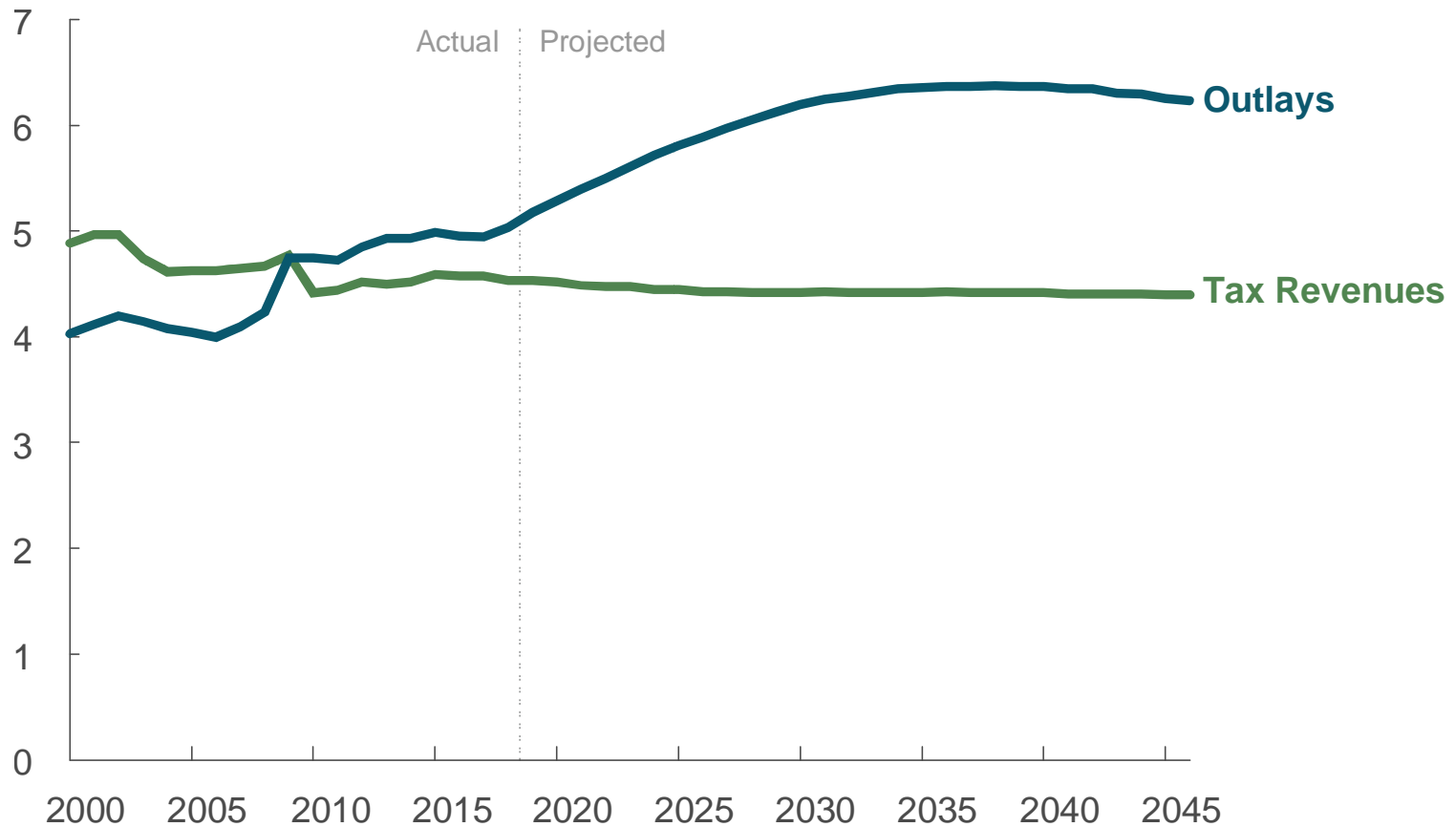


Millions of People



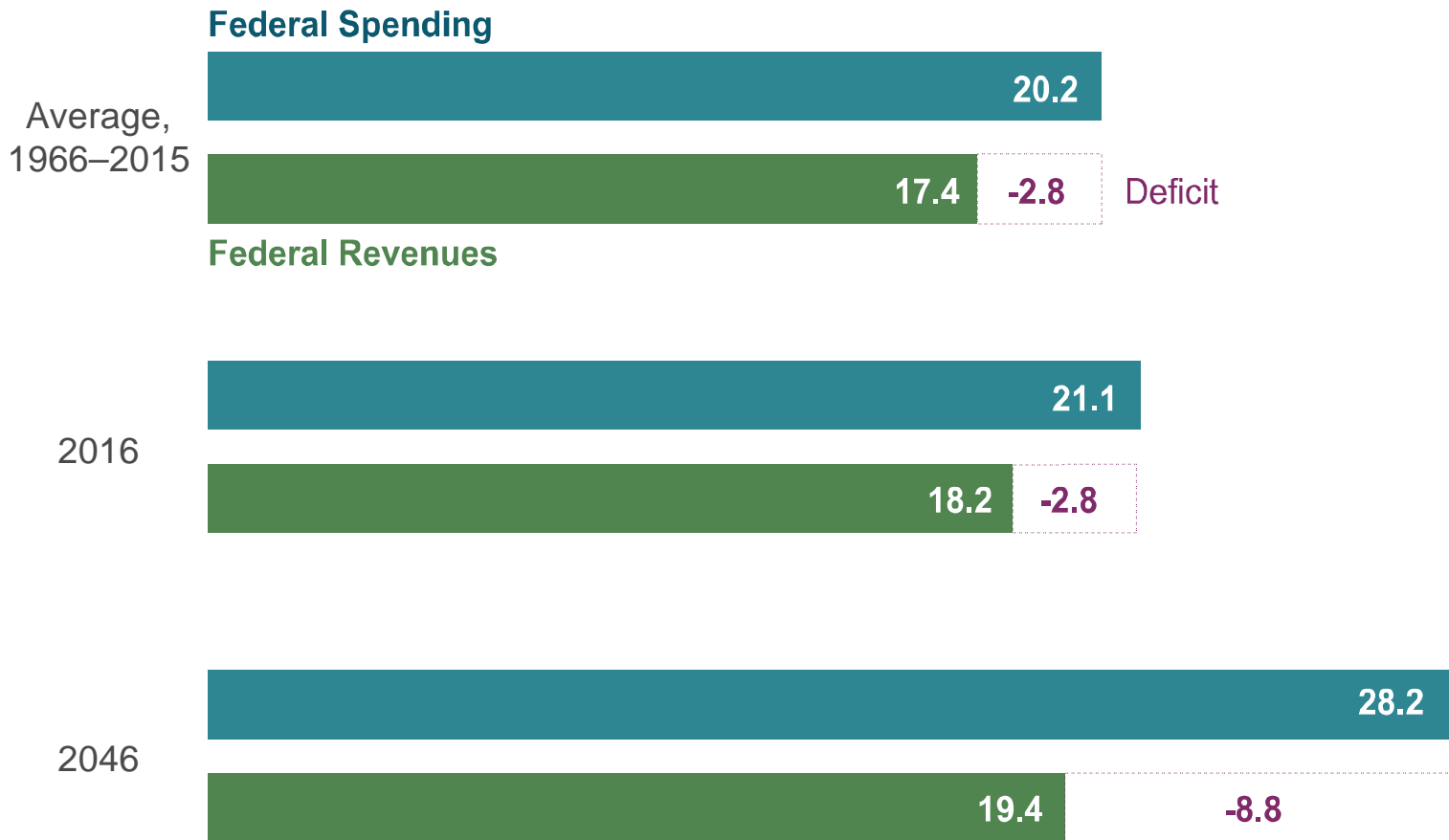
Tax Revenues and Outlays for Social Security

Percentage of GDP



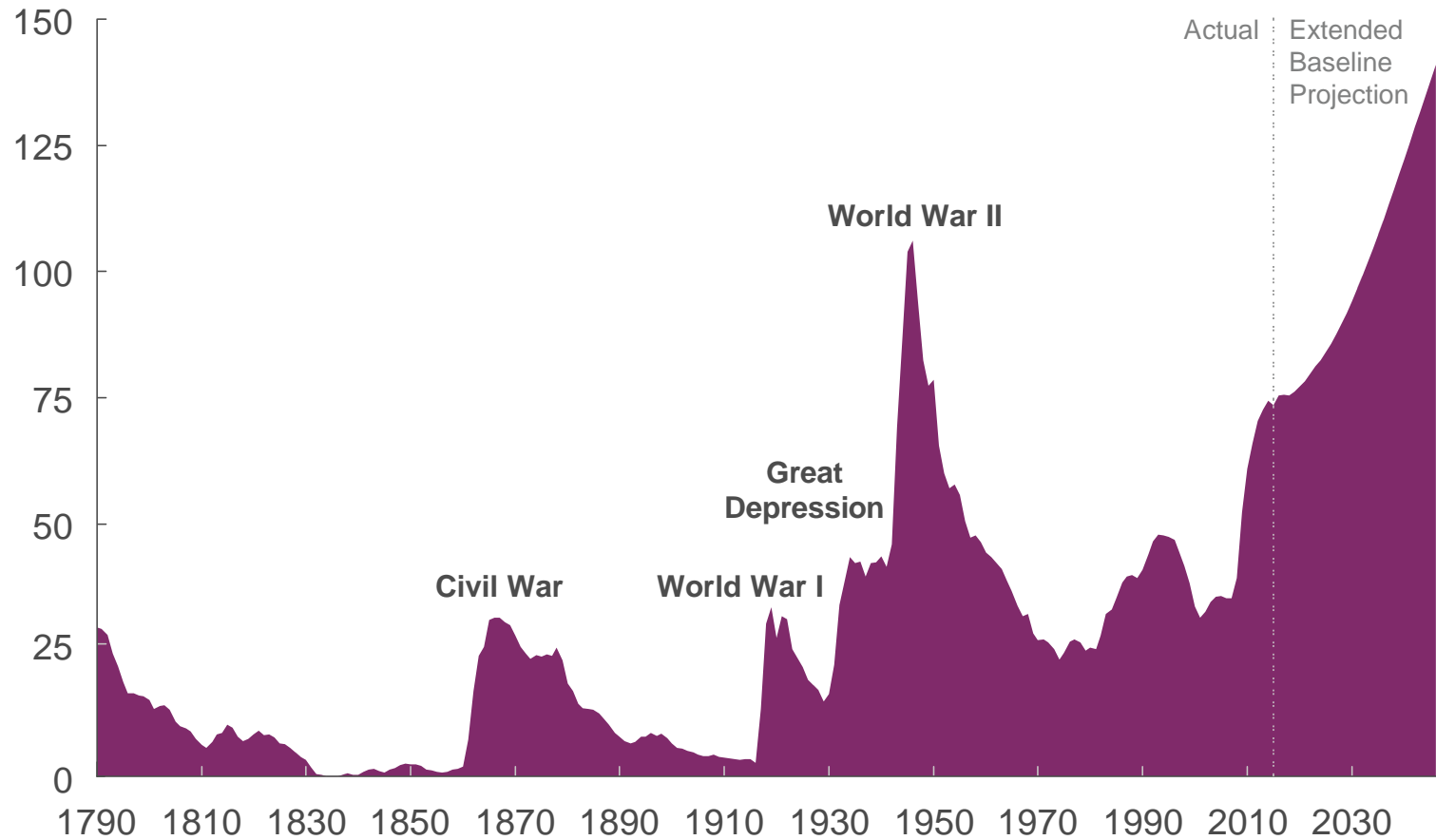
Projected Spending, Revenues, and Deficits, Compared With Past Averages

Percentage of GDP



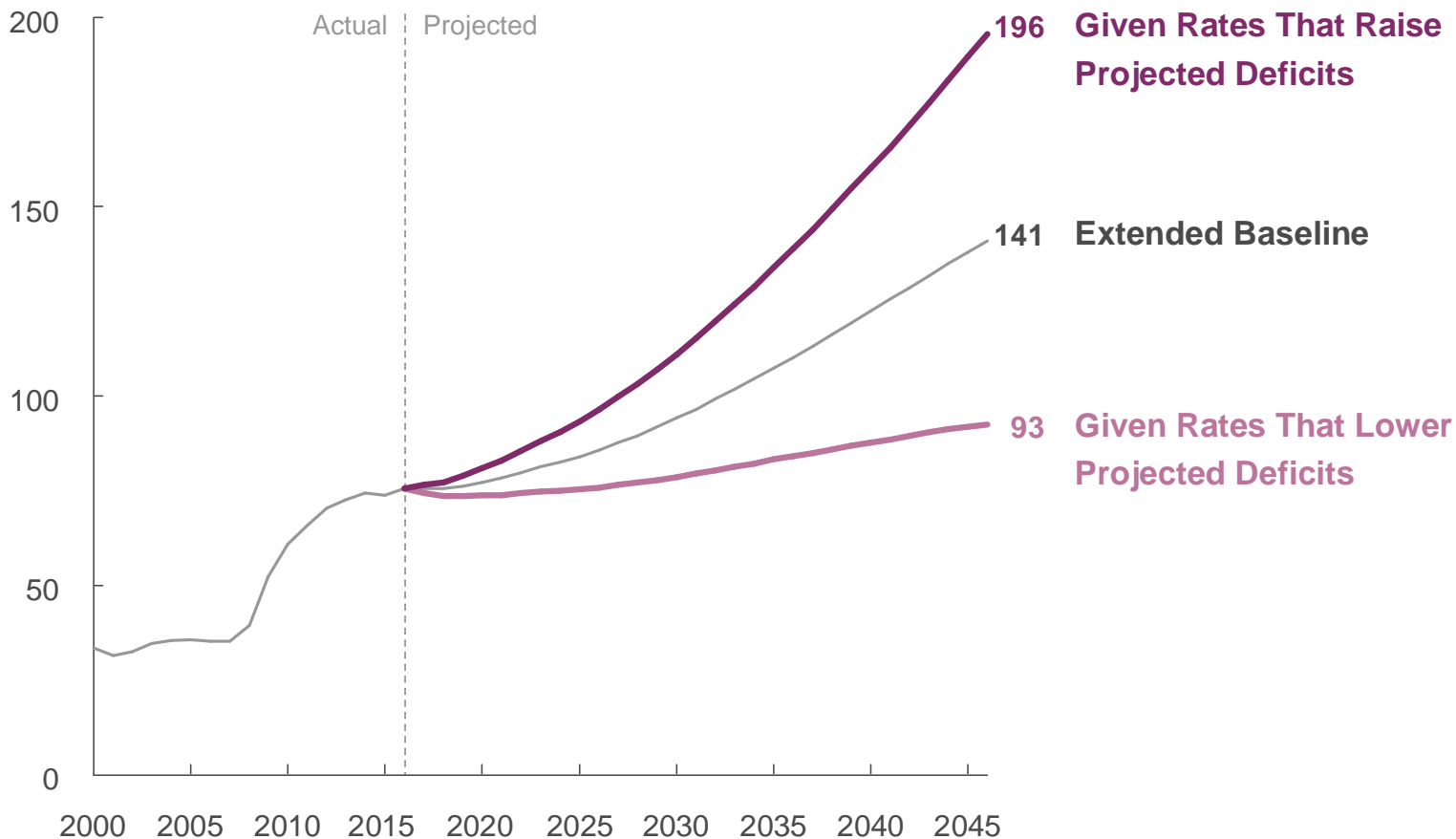
Federal Debt Held by the Public

Percentage of GDP



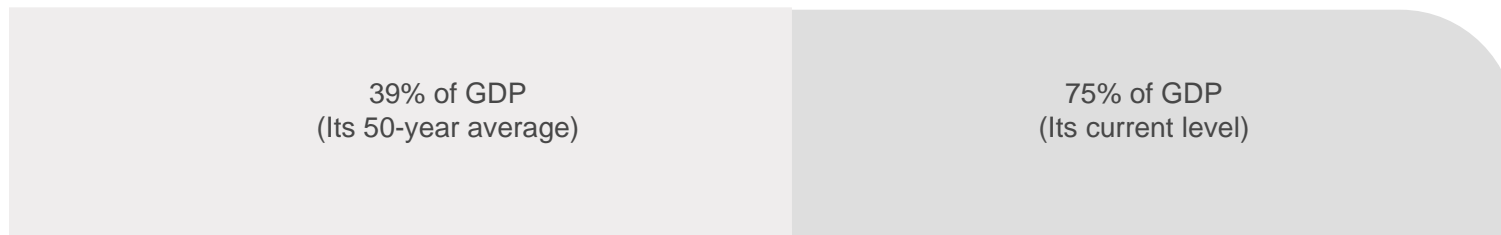
Projected Federal Debt Based on Different Rates of Labor Participation, Productivity Growth, Interest on Federal Borrowing, and Excess Cost Growth for Federal Spending on Medicare and Medicaid

Percentage of GDP

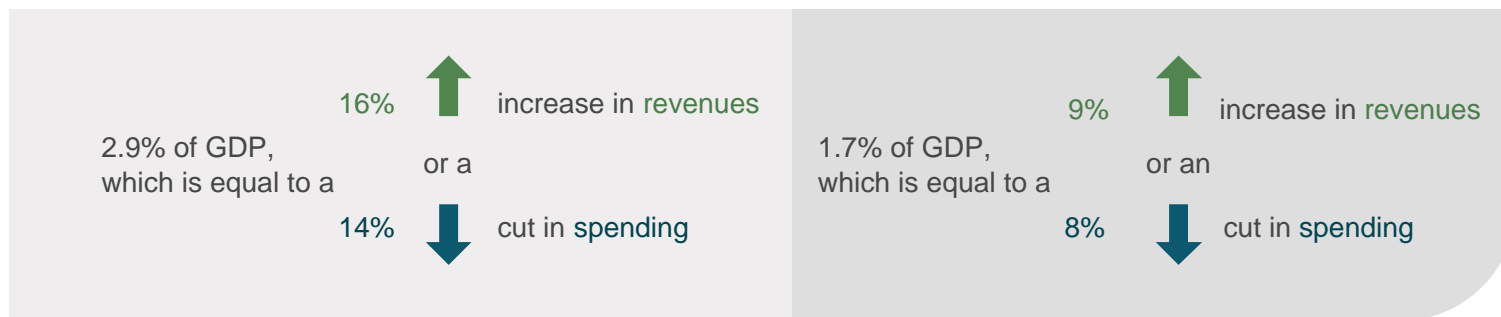


The Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2046

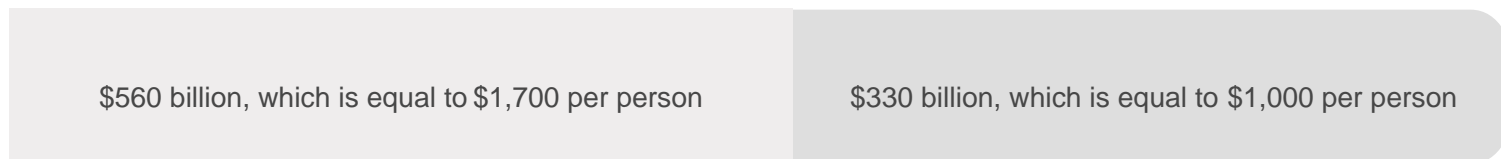
If lawmakers aimed for debt in 2046 to equal . . .



Each year, they would need to **increase revenues** or **reduce noninterest spending** by . . .



In 2017, that would amount to . . .



Notes

Slide 6. The budgetary effects of tax expenditures were projected by CBO using estimates from the staff of the Joint Committee on Taxation, which were prepared before the enactment of the Consolidated Appropriations Act, 2016, and do not include the effects of that law.

Slide 17. Spending on major health care programs consists of spending on Medicare (net of offsetting receipts), Medicaid, and the Children's Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.