



## Forum Session Meeting Announcement

**Thursday, January 17, 2008**

9:00–9:30am — Breakfast

9:30–11:30am — Session

# Running Up the Health Care Tab: Will We Have Buyer's Remorse?

### A Discussion Featuring:

**Peter R. Orszag, PhD**

*Director*

Congressional Budget Office

### With Comments By:

**Stuart H. Altman, PhD**

*Sol C. Chaikin Professor of National Health Policy*

Florence Heller Graduate School for Social Policy

Brandeis University

### Location

**Reserve Officers Association  
of the United States**

One Constitution Avenue, NE  
Congressional Hall of Honor  
Fifth Floor

*(Across from the Dirksen Senate  
Office Building)*

### Registration Required

Space is limited. Please respond  
as soon as possible.

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# Running Up the Health Care Tab: Will We Have Buyer's Remorse?

## OVERVIEW

*The press has focused much attention on the aging of the “baby boomer” generation and their effect on federal entitlement spending. Indeed, the first of the baby boomers are on the verge of receiving their first Social Security checks. But health policymakers know that the overarching and more intractable problem facing the nation is rising health care costs. This Forum session will look at the challenges that these increasing costs pose for our economy, the public sector, and society. It will review past and future spending trends for Medicare and Medicaid and examine the connection between health care spending growth and financing entitlement programs. Factors influencing spending growth and opportunities for slowing the rate of increase will be the primary focus.*

## SESSION

Health care spending has outpaced the increase in the gross domestic product (GDP) for decades. Recently, it has been growing at about 2.5 percentage points faster than GDP. Spending growth in our major entitlement programs, Medicare and Medicaid, has been similar and, according to the Congressional Budget Office (CBO), is expected to continue to exceed growth in GDP. This year's Report of the Medicare Trustees concluded that the projected long run growth in Medicare spending is “not sustainable under current financing arrangements.” With the first of the baby boomer generation becoming eligible for early retirement under Social Security on January 1, 2008 and for Medicare benefits in 2011, this often perceived “long term” problem is quickly becoming a “short term” one.

Health policymakers know that the aging of the baby boomers is not solely responsible for the current state of fiscal affairs. The heart of the problem is the increasing rate of growth in health care spending—both public and private. Several factors contribute to the rising cost of health care, including increases in volume and intensity of services provided, price increases, the profusion of expensive diagnostic technology, the declining health status of Americans, and the aging of the population.

All is not doom and gloom, however. Rising expenditures on health care reflect in part a victory over much that ails us. Medical research has provided a better understanding of the etiology of many diseases that has much improved the ability to intercede earlier and more effectively. Some Americans have access to the most effective life-saving (or life-enhancing) care available. Further, health care is one of the most vibrant aspects of the U.S. economy, accounting for a large share of job growth nationally.

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Of course, these gains come at some cost. Spending so many federal and state dollars on health care leaves less money available to invest in other sectors such as education, transportation infrastructure, or income support. Increasing health care costs increase the costs of insurance, and having fewer affordable options for insurance contributes to declining levels of insurance coverage. And there is growing evidence that the current level of spending does not represent good value. With wide variations in practice patterns and spending across the country, it is now increasingly apparent that too many services can be injurious to individual patients and also can undermine efforts to bring the real benefits of health care to underserved segments of the population. So, the question perennially before policymakers is how to tame expenditure growth while preserving innovation, improving outcomes, and exacting greater value from invested resources.

What lies ahead? One way or another, the nation will come to grips with the problem of health care cost growth; the issue is not whether, but when. How do we adequately prepare for the decisions and trade-offs that will need to be made? What can policymakers do now? Are there options that are potentially effective and that warrant further exploration even in a campaign year? Which issues should policymakers and experts begin delving into more deeply now, so that a new Congress and a new administration are better prepared to address them?

## KEY QUESTIONS

- What are the projected spending trends for Social Security, Medicare, and Medicaid? How much have these trends changed over time? How does the rate of growth in private health care spending compare to the rate of growth in public spending, and what is the relationship between them? What does health care spending growth now mean for future generations? In what ways are decisions about Social Security, Medicare, and Medicaid inextricably linked?
- What proportion of the growth in health care spending is attributable to factors such as increases in volume and intensity of services, price increases, the profusion of expensive technology, the declining health status of Americans, and the aging of the population?
- What will be the effects on the federal budget and national debt if health care spending continues at current rates of growth? How do Congress, the administration, and policymakers assess the trade-offs between spending more on health care than on other goods and services such as education, transportation infrastructure, or income support?
- To what extent might efforts to promote greater efficiencies in the delivery system slow spending growth over time? Will these efforts avert large reductions in payments or denial of some services? How would such decisions be made, and by whom?

- What dynamics are likely as Congress confronts both entitlement spending and the expiration of income tax provisions in 2010? What are the priorities for 2008, and for the next administration?

## SPEAKERS

**Peter R. Orszag, PhD**, is the director of the Congressional Budget Office (CBO). Prior to joining CBO, Dr. Orszag was deputy director of economic studies at the Brookings Institution, where he also served as director of the Hamilton Project, director of the Retirement Security Project, and co-director of the Tax Policy Center (a joint venture with the Urban Institute). In prior government service, Dr. Orszag was special assistant to the President for economic policy and a senior advisor at the National Economic Council. Dr. Orszag graduated from Princeton University and obtained an MSc degree and a PhD degree in economics from the London School of Economics.

**Stuart H. Altman, PhD**, is Sol C. Chaikin Professor of National Health Policy at the Florence Heller Graduate School for Social Policy at Brandeis University, where was dean from 1977 until 1993. He served on the National Bipartisan Commission on the Future of Medicare in 1998 and 1999, and he chaired the Prospective Payment Assessment Commission from 1984 to 1996. Dr. Altman was deputy assistant secretary for planning and evaluation/health at what was then the Department of Health, Education and Welfare. He also served as the deputy director for health of the President's Cost-of-Living Council from 1973 to 1974. He has MA and PhD degrees from the University of California, Los Angeles.



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