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

Percent of Gross Domestic Product

Differential of:
- 2.5 Percentage Points
- 1 Percentage Point
- Zero

Actual | Projection

CBO Expanding its Work on Health Care

- CBO Increasingly Becoming the “Congressional Health Office”
  - Seeking to Increase Staff
  - Shifting Existing Staff to Health Work
  - Established Panel of Health Advisers

- Focus is on Providing More Analysis to the Congress of Options and their Effects on Spending and Other Outcomes

- Working on Report about Comparative Effectiveness
  - Testimony in June Before House Ways & Means Cmte.
Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003

Source: www.dartmouthatlas.org
Costs and Impact of Comparative Effectiveness Research Depend on Type of Research

- Systematic Reviews
- Modeling
- Analyses of Claims Data
- Registries
- Practical Clinical Trials
- Randomized Controlled Trials
Other Factors Affecting Budgetary Impact

- In the Short Term, Several Constraints
  - Time Needed to Generate New Findings, Reach Consensus
  - Time Needed to Incorporate Findings into Incentives
  - Changes to Medicare Required to Permit Full Adoption

- In the Long Term, Savings Seem Likely
  - Currently, Providers Usually Have Incentives to Adopt New Technology, Enrollees Have Little “Skin in the Game,” and Payers Have Limited Information
  - Expanding the Evidence Base Thus Seems More Likely to Limit Future Spending Increases than to Fuel Them
Key Questions

- Which Approach to Research is Most Cost-Effective?
  - More Evidence on Returns?
- Relative Power of Information and Incentives?
  - Consumer-Directed or Value-Based Insurance?
- Compare Clinical Effectiveness or Cost-Effectiveness of Treatments?
- Roles for Private and Public Insurers?
- How Much Could Spending/Variation be Reduced?
  - Would Health be Adversely Affected?
- Impact on Level of Spending or Growth Rate?