FAMILIES**USA**
THE VOICE FOR HEALTH CARE CONSUMERS

Analysis: Tax Cuts, Not Health Care Entitlements, Driving Increased Fiscal Deficits

By Shawn Gremminger, Senior Director of Federal Affairs and Jane Sheehan, Senior Government Affairs Manager

Today, the Congressional Budget Office (CBO) released a new budget baseline for 2018 to 2028. The baseline report shows a significant increase in projected budget deficits compared to the 2017 baseline.[1]

CBO makes it clear that the primary driver of this deficit increase are the massive tax cuts that were passed into law late last year.[2] This projection is consistent with CBO estimates published before the tax bill was passed into law, showing the tax cuts would add approximately $1.5 trillion to the deficit.[3]

Medicaid and Medicare Spending Growing Slower than Private Insurance

Contrary to what many self-styled budget hawks have claimed, health care spending is not the primary cause of substantially increased deficit projections. While there is a modest increase in Medicare and Medicaid spending, mostly due to an increased aging population, growth in health care spending has slowed in recent years and Medicaid and Medicare costs are growing slower than private insurance costs.[4] Further, the report finds that spending growth in Medicaid and Medicare is slowing down even relative to its reduced trajectory since 2010.[5]

Health care cost growth is primarily driven by inflated health care prices. JAMA found that the substantial increase in health care spending over the last few decades (1996-2013) was largely related to increases in health care service prices and intensity, which accounted for more than 50 percent of the spending increase.[6] Pharmaceutical spending is particularly problematic. Twenty years ago, pharmaceutical spending on drugs the United States was in line with other industrialized countries. Today we spend more than twice as much on pharmaceuticals compared to other advanced countries.[7]

Administration and Congressional Action Have Increased Costs while Reducing Coverage

Over the last year, Congress and the Administration have taken several actions that purport to increase affordability for health care consumers, but will actually lead to reduced health care coverage and increased costs across the health care system. CMS estimated that the repeal of the individual mandate in the tax law will increase the number of uninsured by an additional 8 million people by 2026.[8] The Urban Institute found the repeal of the mandate combined with the administration's efforts to allow sham health insurance to be sold to individuals will both undermine the market for comprehensive health insurance and reduce the number of people with meaningful coverage dramatically.[9] These destructive Administration and Congressional actions will lead to increased utilization of emergency services and other high cost health care, causing spending to jump for everyone.

Endnotes

[1]https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53651-outlook.pdf p. 1

[2]https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53651-outlook.pdf p. 63

[3]http://familiesusa.org/blog/2017/12/tax-bill-bad-americas-health

[4]https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53718-mbr.pdf; https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html

[5]https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53651-outlook.pdf p.50-51

[6]https://jamanetwork.com/journals/jama/article-abstract/2661579?redirect=true

[7]http://www.commonwealthfund.org/publications/issue-briefs/2017/oct/prescription-drug-costs-us-outlier

[8]http://www.modernhealthcare.com/article/20180214/NEWS/180219955

[9]https://www.urban.org/research/publication/updated-potential-impact-short-term-limited-duration-policies-insurance-coverage-premiums-and-federal-spending