

# Where Do We Go From Here? The Future of Health Reform

*Comments*  
*by*  
Henry Aaron  
*The Brookings Institution*

*24 May 2011*

Where Do We Go From Here?  
The Future of Health *Budget Policy*

*Comments*  
*by*  
Henry Aaron  
*The Brookings Institution*

*24 May 2011*

The United States faces  
a formidable budget challenge...

*...and that problem is  
mostly a health cost problem*

**Wrong!!**

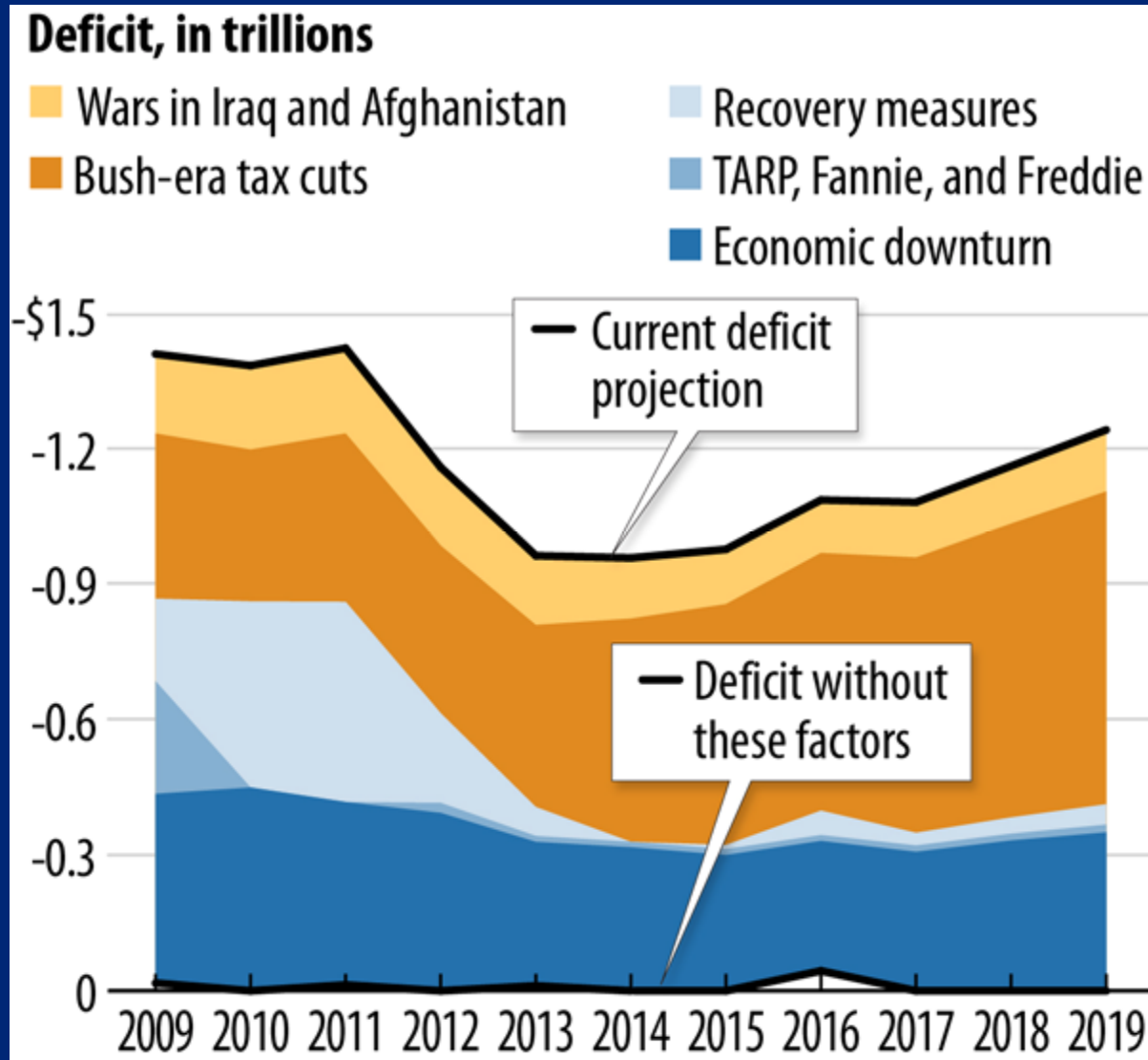
# The United States faces a two formidable budget challenges

Challenge 1: Reduce deficits soon and enough to prevent a rising debt/GDP ratio from threatening economic stability

Challenge 2: reform health system (or health system and pensions) to prevent these outlays from coming to comprise too large a share of GDP

*These two challenges are almost  
completely independent,  
and the first is not a health problem at all*

# Where challenge 1 comes from



Source: Kathy A Ruffing and James R. Horney, "Economic Downturn and Bush Policies Continue to Drive Large Projected Deficits," Center on Budget and Policy Priorities, 10 May 2011 available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3490>

Challenge 1: Reduce deficits soon and enough to prevent a rising debt/GDP ratio from threatening economic stability

Timetable - 10-12 years (less in some plans)

debt/GDP > 100% by ~2022-2024

Budget breakdown (as percent of non-interest spending, 2011)

Social Security	21
M&M	24
Other mandatory	15
Defense	20
Non-defense discretionary	19

Need to cut deficit 4-5 percent of GDP

*Social Security will contribute ~ nothing*

*M&M will contribute at most 1 percent*

Deficit reduction must come from cuts in or from increased taxes

Challenge 2: reform health system (or health system and pensions) to prevent public spending from absorbing too large a share of GDP

Even long-term savings from cuts in Social Security will be small

- not because it is a 'third rail'
- but because benefits are meager

Savings from cuts in Medicare and Medicaid will also be slow in coming...

Some savings in Medicare possible: income related premiums, drug prices, merge parts A and B

CMS projections of the impact of the ACA

Later savings will depend on success of ACA (or alternative)  
provided that the nation sustains its commitment to assure standard care to the elderly , disabled, and poor

Is

*“putting everything on the table”*

the best way to get a budget deal  
...or health system reform?