Addressing Health Care is Vital to Fixing the Debt

Washington is far from a consensus on what to do about health care. But the future health of the federal budget depends on bringing down health care costs. Here is why we cannot fix the debt if we do not address health care spending.

American Health Care is in Critical Condition
- The United States spends much more per person than other industrialized nations on health care, but evidence does not show that this produces better outcomes.
- An aging population and rising costs will push health care spending even higher. As a result, health spending will consume a growing share of the federal budget in the years to come, increasing deficits and squeezing out other government spending, including public investments that can help grow the economy.
- For example, federal health care spending currently represents more than a quarter of the budget and will account for more than one-third of the growth in government spending over the next decade. Additionally, Medicare is currently the second largest federal program, behind only Social Security.

Medicare Needs a Remedy for its Ailing Finances
- The Medicare Part A (Hospital Insurance) trust fund will be exhausted by 2029, resulting in a 12 percent cut in benefits.
- The disparity between benefits paid out and what is paid in is wide and growing. For example, Medicare beneficiaries typically receive $3 to $4 in benefits for every dollar they pay in taxes.
- By 2030, Medicare taxes and premiums will cover less than 50 percent of Medicare spending.

Revitalizing Federal Health Care Will Help Cure the National Debt Problem
- Health care, particularly Medicare, will be the largest driver of future deficits and debt unless something is done.
- Medicare is the nation’s largest health care payer, which means that reforms to the Medicare payment model could benefit the overall health care system.
- Moving away from a fee-for-service payment system for Medicare to emphasize quality instead of quantity would greatly improve the program. This could be accomplished by improving the financial model for Accountable Care Organizations (ACOs), providing a single bundled payment for an episode of care, increasing patient engagement in their care, and through other value-based initiatives that would save at least $100 billion over the next decade, and potentially much more.
- Sustainable changes can be made to slow the growth of Medicare spending without reducing benefits.