

## GAO's Simulations – Key Budget Assumptions

Model inputs	Baseline Extended simulation	Alternative simulation
<b>Revenue</b>	Congressional Budget Office's (CBO) February 2021 baseline through 2031. It assumes tax provisions expire as scheduled under current law and growth of real income causes a greater proportion of taxpayers' income to be taxed in higher brackets through 2031. After 2031, remains constant at 17.5 percent of gross domestic product (GDP) (the share projected in 2031).	CBO's baseline estimates through 2031, adjusted using CBO's alternative estimates, which assume certain expiring tax provisions are extended. After 2031, revenue phases to 17.3 percent of GDP by 2033, the 50-year historical average.
<b>Discretionary spending<sup>a</sup></b>	CBO's February 2021 baseline through 2031. After 2031, remains constant at 5.7 percent of GDP (CBO's projection in 2031).	CBO's February 2021 baseline through 2031. After 2030, it phases to 7.3 percent of GDP by 2042 (the 20-year historical average).
<b>Other mandatory spending</b>	CBO's February 2021 baseline through 2031, which incorporates the reductions in spending scheduled to occur under the automatic enforcement procedures established in the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended; <sup>b</sup> thereafter remains constant at 2.1 percent of GDP (the share projected in 2031).	CBO's February 2021 baseline through 2031, excluding the effects of the automatic enforcement procedures established by BBEDCA and revised by subsequent legislation through 2029; thereafter remains constant as a share of GDP at 2.1 percent of GDP (the share projected in 2031).
<b>Social Security spending</b>	CBO's February 2021 baseline through 2031; thereafter consistent with the 2020 Social Security Trustees' intermediate projections.	Same as Baseline Extended.

<b>Model inputs</b>	<b>Baseline Extended simulation</b>	<b>Alternative simulation</b>
<b>Medicare spending</b>	CBO's February 2021 baseline through 2031. The baseline incorporates the effects of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which, among other things, revised the methodology for determining physician payment rates. It assumes the automatic enforcement procedures established by BBEDCA reduce spending. <sup>b</sup> After 2031, phases into the 2020 Medicare Trustees' current law projections in which cost containment mechanisms, including those enacted in the Patient Protection and Affordable Care Act, reduce excess cost growth to 0.0 percentage points on average over the long term. <sup>c</sup>	Based on CMS Actuary's alternative scenario that assumes physician payment rates under MACRA are not sustainable in the long term and that the beneficiary growth rate transitions to a long-term rate similar to the per capita increase in overall health spending; spending reductions scheduled under current law do not occur <sup>b</sup> and policies that would restrain Medicare cost growth are eliminated; excess cost growth averages 0.4 percentage points over the long term. <sup>c</sup>
<b>Medicaid, the Children's Health Insurance Program (CHIP), and exchange subsidies spending</b>	CBO's February 2021 baseline through 2031; thereafter growth in spending for these programs is consistent with CBO's September 2020 long-term assumptions for the number and age composition of enrollees and the 2020 Medicare Trustees' current law assumptions for excess cost growth; excess cost growth averages 0.5 percentage points over the long term. <sup>c</sup>	Same as Baseline Extended.

Source: GAO.

Notes: CBO's projections are from *The Budget and Economic Outlook: 2021 to 2031* (Feb. 11, 2021); *Budgetary Outcomes Under Alternative Assumptions About Fiscal Policy* (Aug. 29, 2019); and *The 2020 Long-Term Budget Outlook* (Sept. 21, 2020). Trustees' projections are from *The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* and the *2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, which were both issued on April 22, 2020. Projections from the CMS Actuary are based on data underlying the "Projected Medicare Expenditures under an Illustrative Scenario with Alternative Payment Updates to Medicare Providers" (April 22, 2020). GAO assumes that Social Security and Medicare benefits are paid in full regardless of the amounts available in the trust funds.

<sup>a</sup>The Budget Control Act of 2011 (BCA) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), establishing discretionary spending limits for 2012 through 2021. The BCA also established the Joint Select Committee on Deficit Reduction (Joint Committee), which was tasked with proposing legislation to reduce the deficit by at least \$1.2 trillion by fiscal year 2021. The Joint Committee did not report a proposal and Congress and the President did not enact legislation, which triggered the sequestration process in section 251A of BBEDCA. Section 251A required (1) a sequestration for fiscal year 2013 and (2) downward adjustments to discretionary spending limits and sequestration of nonexempt mandatory spending programs from fiscal years 2014 through 2021. These are collectively referred to here as the automatic enforcement procedures. Congress and the President have enacted legislation that has resulted in raised

discretionary spending limits each year since 2013, limiting the effectiveness of BCA caps. The Bipartisan Budget Act of 2019 raised discretionary spending caps for fiscal years 2020 and 2021.

<sup>b</sup>In addition to limits on discretionary budget authority, BBEDCA, as amended by the BCA, initially required reductions in nonexempt mandatory spending, including Medicare, through 2021. Subsequent legislation extended these reductions through 2027. The Bipartisan Budget Act of 2019 extended the reductions of nonexempt mandatory spending programs through fiscal year 2029.

<sup>c</sup>Excess cost growth refers to the annual growth rate of health care spending per enrollee in excess of the annual growth rate of potential GDP per capita, adjusted for demographic characteristics.

## GAO's Simulations – Key Economic Assumptions

<b>Model inputs</b>	<b>All simulations</b>
<b>Real GDP growth</b>	CBO's February 2021 baseline through 2031; thereafter averages 2.0 percent based on the intermediate assumptions of the 2020 Social Security Trustees report.
<b>Inflation (percentage change in GDP price index)</b>	CBO's February 2021 baseline through 2031; 2.0 percent thereafter (CBO's projection in 2031).
<b>Interest rate (on debt held by the public)</b>	Rate implied by CBO's February 2021 baseline net interest payment projections through 2031; phasing to 4.4 percent by 2049 and then constant thereafter (CBO's September 2020 long-term projection).

Source: GAO.

Notes: GDP in GAO's simulations does not incorporate the negative effect of long-term deficits on the economy.

CBO's projections are from *The Budget and Economic Outlook: 2021 to 2031* (Feb. 11, 2021) and *The 2020 Long-Term Budget Outlook* (Sept. 21, 2020). Trustees' projections are from *The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (April 22, 2020).