



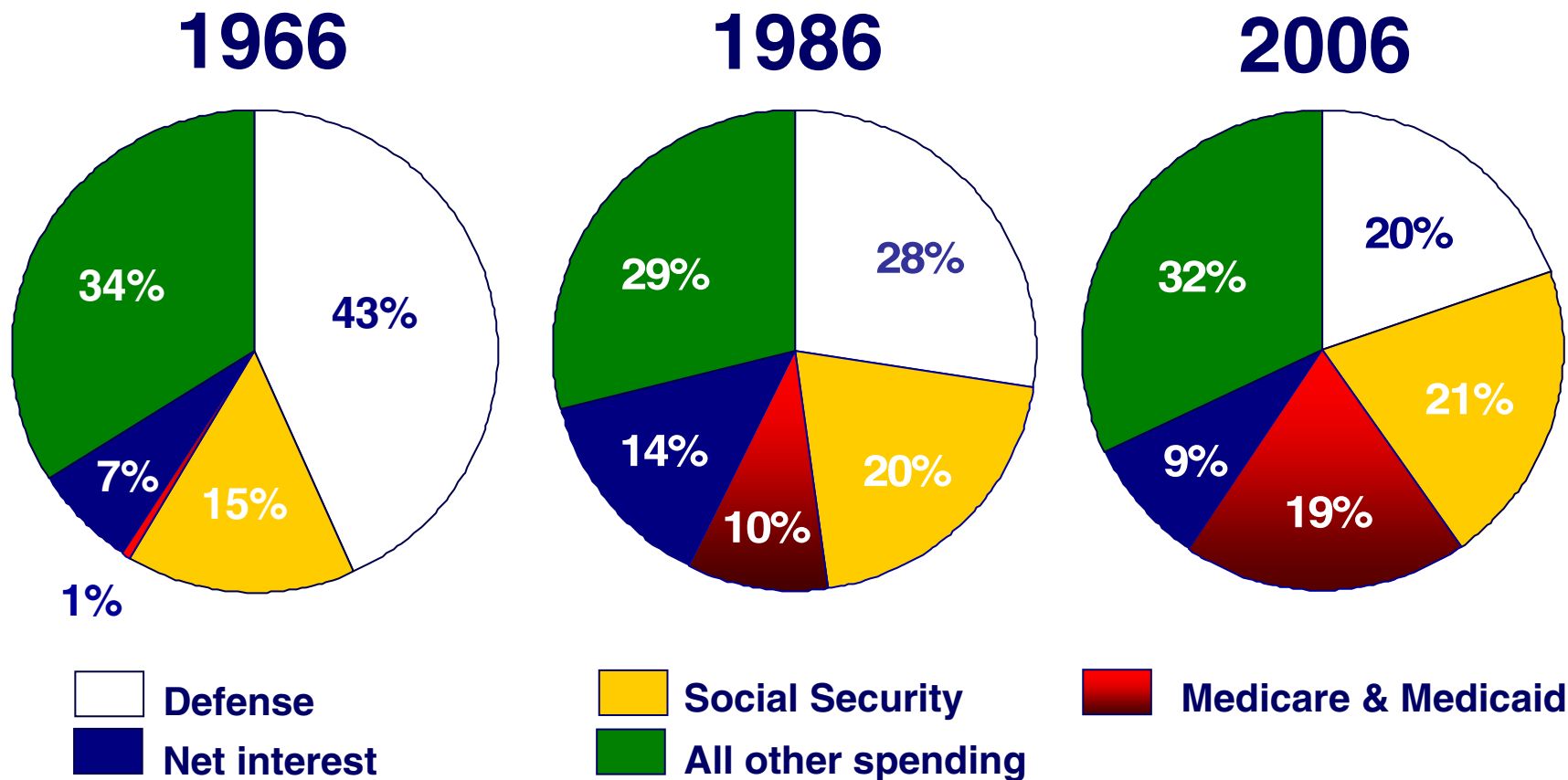
MEDICARE

TAKING CARE OF YOUR FUTURE?

**Florida State University
Pepper Institute
February 22, 2007**

**The Honorable David M. Walker
Comptroller General of the United States**

Composition of Federal Spending



Source: Office of Management and Budget.

Note: Numbers may not add to 100 percent due to rounding.

Major Reported Long-Term Fiscal Exposures (\$ trillions)

	2000	2006	% Increase
<ul style="list-style-type: none"> • Explicit liabilities <ul style="list-style-type: none"> • Publicly held debt • Military & civilian pensions & retiree health • Other 	\$6.9	\$10.4	52
<ul style="list-style-type: none"> • Commitments & contingencies <ul style="list-style-type: none"> • E.g., PBGC, undelivered orders 	0.5	1.3	140
<ul style="list-style-type: none"> • Implicit exposures <ul style="list-style-type: none"> • Future Social Security benefits • Future Medicare Part A benefits • Future Medicare Part B benefits • Future Medicare Part D benefits 	13.0	38.8	197
Total	\$20.4	\$50.5	147

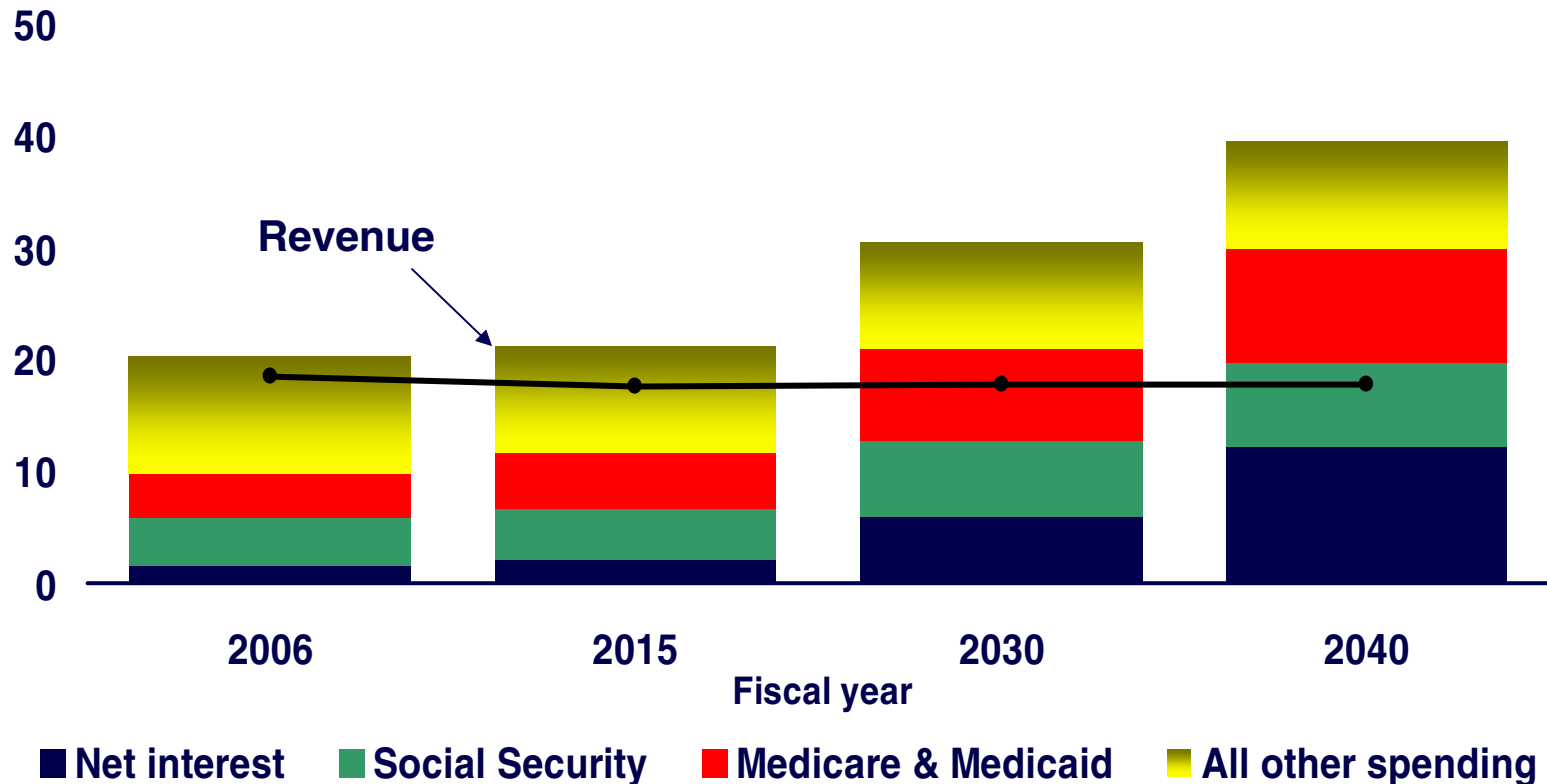
Source: 2000 and 2006 Financial Report of the United States Government.

Note: Estimates for Social Security and Medicare are at present value as of January 1 of each year and all other data are as of September 30. Totals may not add due to rounding. Percentage increases are based on actual data and may differ from increases calculated from rounded data shown in table.

Potential Fiscal Outcomes

Alternative Simulation—Discretionary Spending Grows with GDP and Expiring Tax Provisions Extended (January 2007) *Revenues and Composition of Spending as a Share of GDP*

Percent of GDP



Source: GAO's January 2007 analysis.

Notes: AMT exemption amount is retained at the 2006 level through 2017 and expiring tax provisions are extended. After 2017, revenue as a share of GDP is held constant—implicitly assuming action to offset the impact of bracket creep and to modify the offset of AMT.

Issues to Consider in Examining Our Health Care System

- The public needs to be educated about the differences between **wants, needs, affordability, and sustainability** at both the individual and aggregate level
- Ideally, health care reform proposals will:
 - **Align Incentives** for providers and consumers to make prudent decisions about the use of medical services,
 - **Foster Transparency** with respect to the value and costs of care, and
 - **Ensure Accountability** from insurers and providers to meet standards for appropriate use and quality.
- Ultimately, we need to address four key dimensions: **access, cost, quality, and personal responsibility**

Selected Potential Health Care Reform Approaches

Reform Approach	Short-term action	Long-term action
Revise the government's payment systems and leverage its purchasing authority to foster value-based purchasing for health care products and services	✓	
Consider additional flexibility for states to serve as models for possible health care reforms	✓	
Consider limiting direct advertising and allowing limited importation of prescription drugs	✓	
Foster more transparency in connection with health care costs and outcomes	✓	
Create incentives that encourage physicians to utilize prescription drugs and other health care products and services economically and efficiently	✓	
Foster the use of information technology to increase consistency, transparency, and accountability in health care	✓	
Encourage case management approaches for people with chronic and expensive conditions to improve the quality and efficiency of care delivered and avoid inappropriate care	✓	
Reexamine the design and operational structure of the nation's health care entitlement programs—Medicare and Medicaid, including exploring more income-related approaches	✓	✓

Selected Potential Health Care Reform Approaches

Reform Approach	Short-term action	Long-term action
Revise certain federal tax preferences for health care to encourage more efficient use of health care products and services.	✓	✓
Foster more preventative care and wellness services and capabilities, including fighting obesity and encouraging better nutrition	✓	✓
Promote more personal responsibility in connection with health care	✓	✓
Limit spending growth for government-sponsored health care programs (e.g., percentage of the budget and/or economy)		✓
Develop a core set of basic and essential services. Create insurance pools for alternative levels of coverage, as necessary		✓
Develop a set of evidence-based national practice standards to help avoid unnecessary care, improve outcomes, and reduce litigation		✓
Pursue multinational approaches to investing in health care R&D		✓



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On the Web

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