

Federal Budget Tip Sheet: Health Care Spending

Key Fact: Health care is the fastest-growing type of federal spending, having risen from 7 percent of the federal budget in 1976 to more than a quarter in fiscal 2015 as health care costs have risen in the industrialized world.ⁱ

The Major Health Care Programs: **Medicare** is the federal health insurance program for nearly 50 million elderly and disabled Americans; **Medicaid** is the federal-state health insurance program that provides health coverage to about 66 million low-income Americansⁱⁱ; the **Children’s Health Insurance Program (CHIP)** is the federal-state program that serves 8 million children in families who do not qualify for Medicaidⁱⁱⁱ. The **Affordable Care Act** – or Obamacare – is the health reform law that passed in 2010, which has so far helped more than 8 million Americans get health coverage.^{iv}

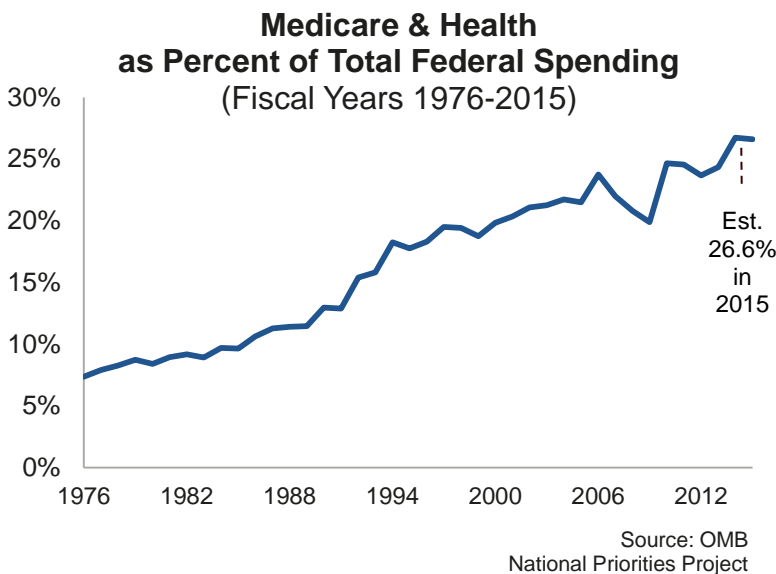
Health Spending At-a-Glance

\$1.055 trillion: Requested by President in FY2015

\$990 billion: FY2014 Estimated Spending Level

\$972 billion: Requested by President in FY2014

Federal Spending on Health Care: Federal spending for health programs is projected to total nearly \$1.1 trillion in fiscal year 2015.^v Controlling health care costs is a key challenge facing lawmakers. Republicans in Congress have proposed downsizing Medicaid in order to reduce health spending, while some Democrats have proposed pay-for-performance health care to drive down costs. Meanwhile, initial studies suggest the Affordable Care Act may be slowing the growth of health care costs, though it may be too early to tell.^{vi}



President Obama’s 2015 Budget: The president’s budget asks wealthy seniors to pay more for their Medicare coverage through higher premiums. It also proposes to reduce payments to private health insurance companies that participate in Medicare Advantage, the program that allows Medicare beneficiaries to receive insurance coverage through a private insurer.

Medicare Is Not Going Bankrupt: Medicare is funded by general tax revenue as well as a trust fund that workers and employers pay into at a rate of 1.45 percent of payroll income. That trust fund finances Medicare Part A, also known as Hospital Insurance. That part of the program is fully funded until 2030, and will then require some changes to put it on secure financial footing.^{vii} Meanwhile other components of

Medicare – such as Part B, Medical Insurance, and Part D, prescription drug benefits – are funded by general tax revenue.

For More on Health Care Spending: bit.ly/NPPhealthcare

ⁱ Office of Management and Budget, 2015 President’s Budget.

ⁱⁱ Kaiser Family Foundation.

ⁱⁱⁱ Centers for Medicare and Medicaid Services.

^{iv} Department of Health and Human Services.

^v Office of Management and Budget, 2015 President’s Budget.

^{vi} Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, April 2014.

^{vii} Centers for Medicare and Medicaid Services, 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.