



# Health Care Spending Is Driving Future Deficits

## Without Reform, CBO Projects Medicare and Medicaid Spending Will Grow Rapidly

Michael Linden | October 23, 2009

Health care is going to be the biggest driver of federal spending increases after interest payments on the national debt. The Congressional Budget Office projects that in 2019 outlays for Medicare and Medicaid—the two largest health care programs—will be almost two full percentage points of GDP higher than they were in 2008, even after accounting for the initial cost savings included in the president’s original budget plan.

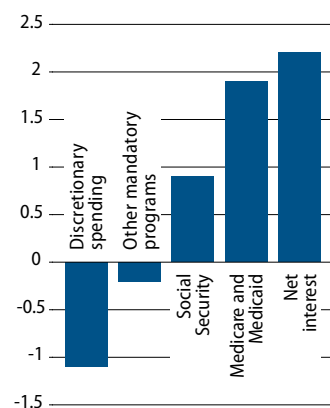
In contrast, CBO projects that all defense and non-defense discretionary spending—the spending that Congress has to appropriate each year—will actually decline by about one percentage point of GDP. By 2019, federal spending on Medicare and Medicaid will exceed the entire defense budget. Health care spending will be higher than total spending on all domestic discretionary programs and it will even surpass spending on Social Security.

The only area of federal spending that will rise more than health care is interest payments on the national debt. Of course, the size of future interest payments is in large part a product of the size of future deficits. And since those deficits are driven mostly by health care spending—spending in all other areas besides health care and Social Security will actually decline over the next ten years—a good portion of the rise in interest payments is also attributable to increased health spending.

This trend has been decades in the making. Budget analysts and health care experts have long identified soaring health care spending as a primary factor in producing future deficits. It is not a new revelation that we face such a bleak fiscal future, and that the problem is driven largely by rising health care costs. What’s new is that policymakers are no longer sweeping the problem under the rug with budget gimmicks designed to hide the true fiscal challenge that we face.

### Change in federal spending as a percent of GDP from 2008-2019

Numbers are projected by the Congressional Budget Office and include net deficit reduction measures proposed by President Obama



Source: Congressional Budget Office, June 2009