

WASHINGTON POST

Want to debate Medicare costs? You need to see this chart first.

By Sarah Kliff

March 15, 2013

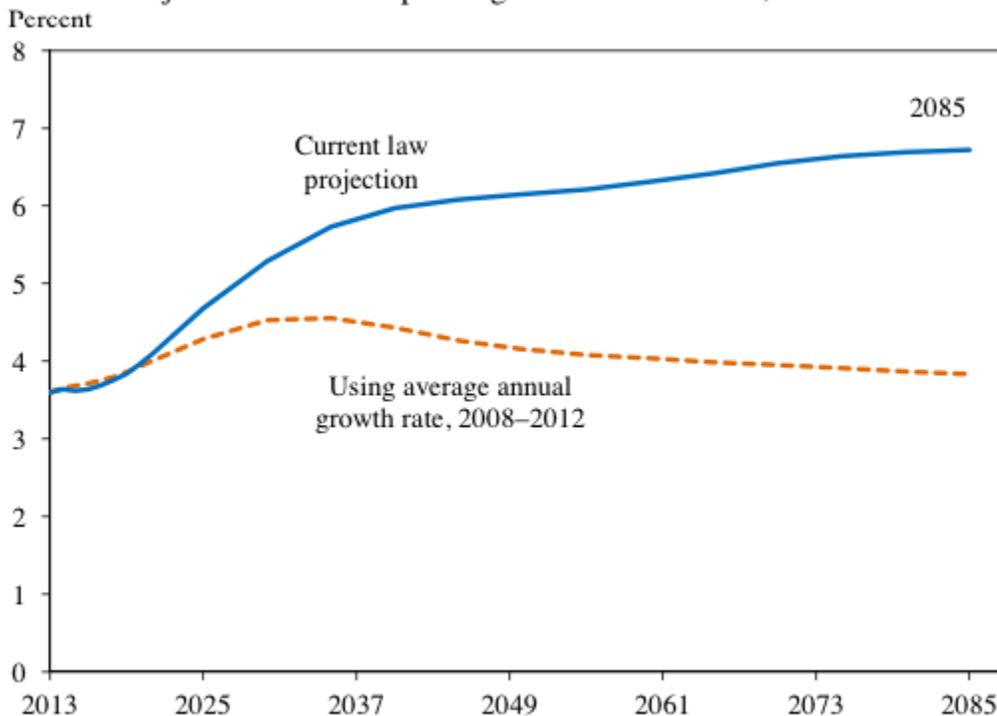
It's taken as an article of faith inside the beltway: Policy makers need to do something to tamp down on out-of-control health-care costs.

If we don't get our Medicare and Medicaid spending under control, the thinking goes, it will crowd out spending on other important budget items, things like defense or education.

President Obama agrees with this idea. So does House Budget Chairman Paul Ryan. But what if, it turns out, both parties have gotten it all wrong?

The White House is out Friday with its annual Economic Report of the President. It contains this chart that shows Medicare as a percent of the economy if it grows on pace with prior projections — or if it grows at the same rate as it has since 2009. The difference is very stark.

Figure 5-8
Projected Medicare Spending as a Share of GDP, 2013–2085



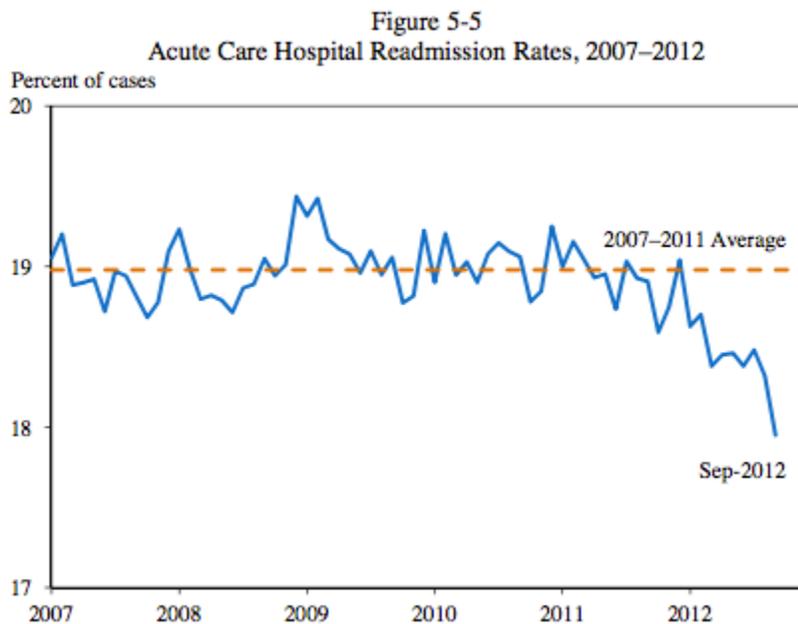
Source: Medicare Trustees (2012); Social Security Trustees (2012); CEA calculations.

If that cost growth persists, it could make all the difference for Medicare: The entitlement program would, by 2085, make up 4 percent of the economy instead of the previously projected 7 percent.

The "if" there is crucial: We don't know whether this cost growth slowdown is permanent or temporary, a factor of Americans cutting back on care during the recession.

This report presents some evidence to believe that the downturn could be here to stay. It includes data on the level of hospital readmissions for Medicare patients. These are typically considered a sign of unnecessary, costly care — patients don't usually return to the hospital because they're feeling in top shape.

For years now, that number has hovered around 19 percent of patients being readmitted to the hospital. Then, in September 2012, it dropped down to 17.8 percent.



Source: Center for Medicare and Medicaid Services, Office of Enterprise Management.

Either way, this data underscores how important the changes happening in our health-care system, right now, will be to the future of health-care spending. If they stick around, they could completely reorient the typical Washington discussion of Medicare as a budget-buster.