




Assessing Effects on the Federal Budget of Policies to Promote Health and Prevent Disease

Presentation to the Alliance for Health Reform

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Assessing the Cost Impact of Health Interventions: Key Concepts

- **Costs of Health Care**
 - Effects on per capita health care spending
- **Cost Effectiveness**
 - Return on investment
- **Budgetary Impact** 
 - Effects on the federal government's spending and revenues

Considerations in Estimating the Budgetary Impact of a Proposed Health Policy

- Baselines for Health Care Spending, Health Risks, and Health Outcomes
- Behavioral Responses to the Policy
- Effects on Federal Spending
 - Medicare, Medicaid, Social Security (OASI and DI), Supplemental Security Income, other federal programs
- Direct and Indirect (Health-related) Revenue Effects
- Strength of the Evidence Base

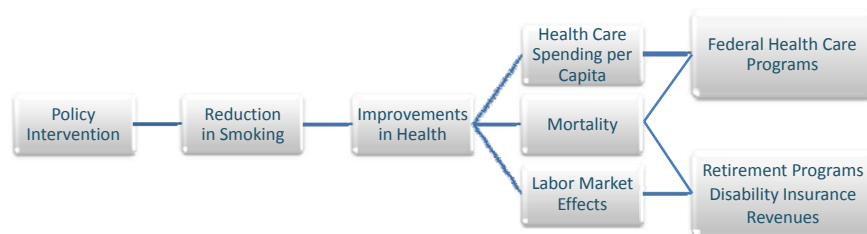
Types of Health Promotion and Disease Prevention Interventions

- Clinical Preventive Services
- Community-Based Health Promotion
- Regulations to Limit Risky Behavior
- Personal Financial Incentives to Modify Risky Behavior
- Excise Taxes on Products with Health Risks

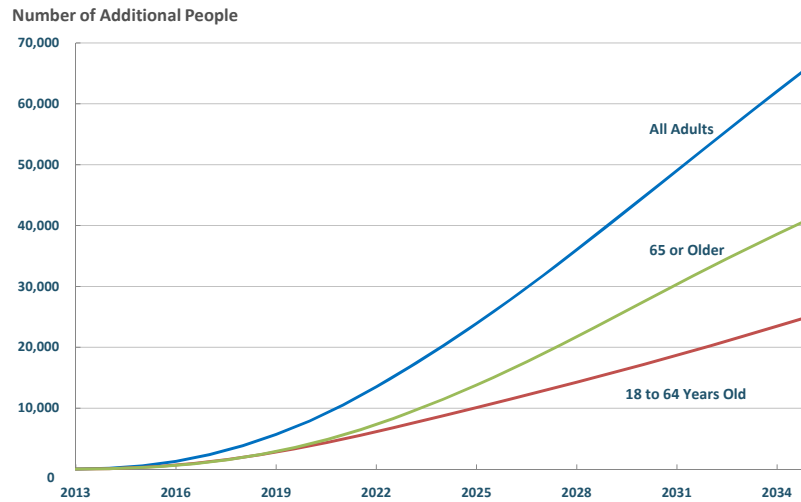
Goal of CBO's Smoking Project

- Assess the Full Budgetary Consequences of an Increase in the Federal Excise Tax on Cigarettes
 - Consider a 50-cent increase (indexed for inflation and growth in income)
 - Focus primarily on changes in outlays and revenues resulting from changes in health because of the policy
 - Estimate effects for the 10-year “budget window” and the longer term
- Caveats
 - Policymakers’ decisions depend on other considerations besides the budget
 - Other policies to improve health would probably have different budgetary effects
 - Strength of evidence was a factor in selecting this case study of a prevention policy

CBO's General Analytic Approach



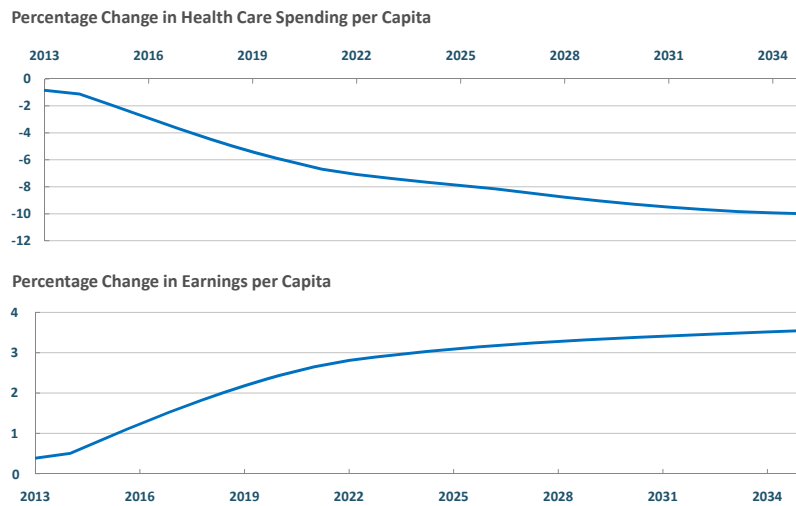
Increase in the Population Because of the Policy



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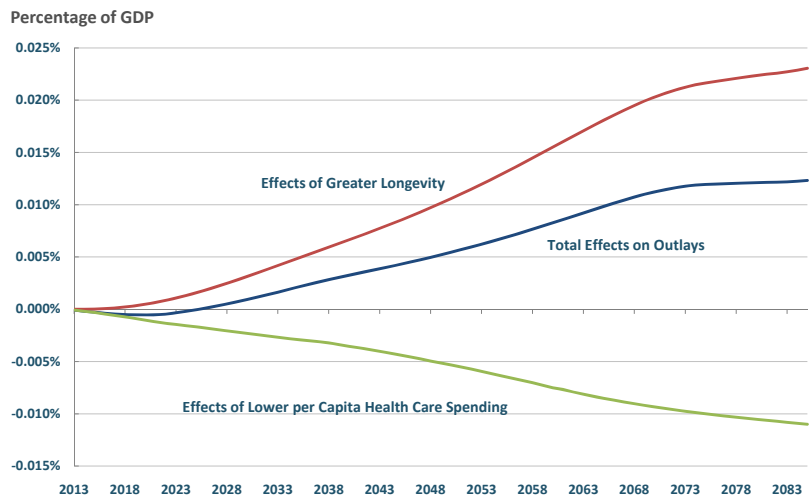
Average Changes in Health Care Spending and Earnings for Adults Affected by the Policy



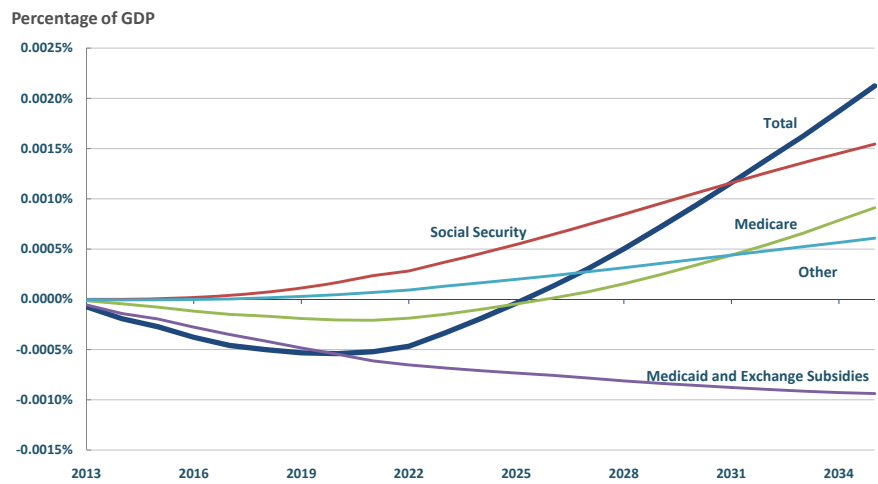
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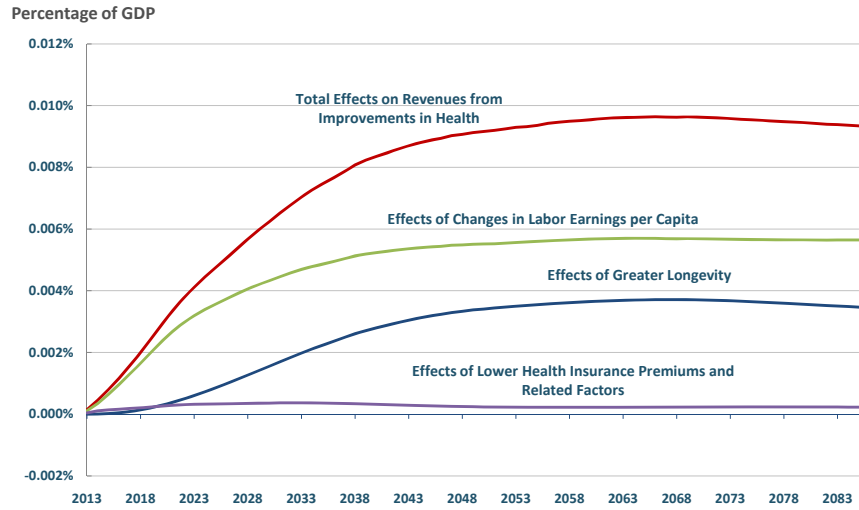
Effects on Outlays of Increased Longevity and Lower per Capita Health Care Spending



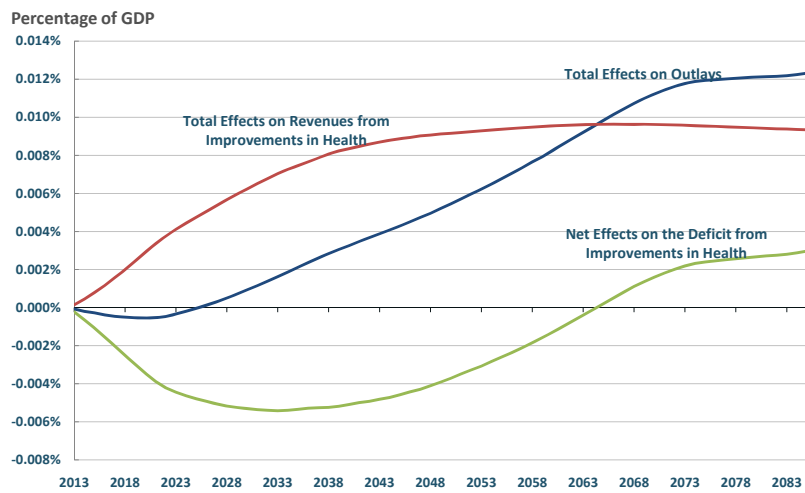
Effects on Outlays, by Program



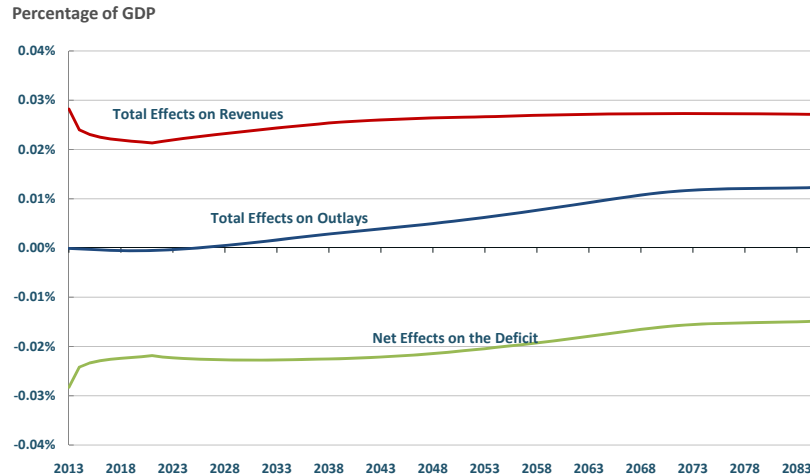
Health-Related Effects on Revenues



Health-Related Effects on Revenues, Outlays, and the Deficit



Overall Budgetary Effects of the Policy



Main Conclusions

- Changes in Federal Spending from Improved Health Would Be Relatively Small
- Federal Spending Would Be Lower in the First Decade but Would Begin Rising in the Second or Third Decade
- Better Health Would Raise Revenues on an Ongoing Basis
- Combined, Those Health Effects Would Produce Very Small Declines in the Deficit for About Five Decades
- The Largest Budgetary Effects Would Come from Excise Tax Receipts, Dominating Health Effects for at Least 75 Years

For further information, see Congressional Budget Office, *Raising the Excise Tax on Cigarettes: Effects on Health and the Federal Budget* (June 2012), www.cbo.gov/publication/43319