

Medicare: How Big Is It?

As policy-makers consider a short-term physician reimbursement fix to Medicare and changes to restore the program's long-term solvency, it may be helpful to consider the size of the Medicare program—both now and in the future.

Compared to National Economies

World Bank data on the size of national economies in 2006 demonstrates that federal spending on Medicare exceeds the total size of most countries' Gross Domestic Product:

- If Medicare were its own country, it would have the 17th largest economy of the 180 national economies ranked by the World Bank.
- Federal Medicare spending exceeds the total national GDP of 18 of 30 developed countries in the Organization for Economic Cooperation and Development (OECD), including Austria, Ireland, Norway, New Zealand, Switzerland, and Turkey.
- Federal Medicare spending exceeds the total national GDP of the 16 countries that comprise southern Africa *combined*.

As a Portion of Government Spending

In 2006, the Centers for Medicare and Medicaid Services reports that Medicare outlays were \$408.3 billion. Comparable 2006 data from other government agencies demonstrates the relative size of Medicare's budget:

- The federal government spends over 14 times more money on Medicare than the National Institutes of Health (NIH), and over 27 times more money on Medicare than the National Aeronautics and Space Administration (NASA).
- The federal government spends over 41 times more money on Medicare than the total expenditures of both the Legislative and Judicial Branches.
- The federal government spends more money on Medicare than the Departments of Agriculture, Education, Energy, Homeland Security, Transportation, and Veterans Affairs spend *combined*.

How Big Will Medicare Get Absent Comprehensive Reform?

Projections from the Congressional Budget Office (CBO) and the annual report issued by the Medicare trustees provide some indication of the scope of the fiscal problems facing Medicare in the future:

- The Medicare trustees report released in March projected that overall spending on Medicare will rise to from its 2006 level of 3.1% of GDP to reach 7.0% of GDP by 2035 and 10.8% GDP by 2082—nearly twice the size of Social Security, and more than one dollar out of every ten spent (public or private) nationwide.
- CBO estimates—which, unlike the trustees' report, presume that health costs will continue to rise at a pace consistent with past trends—that Medicare alone will constitute 17% of GDP by 2082—a nearly sixfold increase from 2006 and equal to all health care spending (private and public) today.

Some conservatives may therefore agree with CBO's conclusion that "the main message [from the trustees' report] is that health care spending is projected to rise significantly and that changes in federal law will be necessary to avoid or mitigate a substantial increase in federal spending on Medicare."

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