



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

March 4, 2013

To: Health Subcommittee

From: Energy and Commerce Committee Majority Staff

Re: Hearing entitled "Saving Seniors and Our Most Vulnerable Citizens from an Entitlement Crisis"

On Wednesday, March 6, 2013, at 10:15 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled "Saving Seniors and Our Most Vulnerable Citizens from an Entitlement Crisis." The following memorandum provides background on the hearing witnesses and the issue of entitlement insolvency.

I. WITNESSES¹

Mr. James C. Capretta
Senior Fellow
Ethics and Public Policy Center

Mr. Joshua Archambault
Director of Health Care Policy and Program Manager for the Middle Cities Initiative
Pioneer Institute

Mr. Paul Van de Water
Senior Fellow
Center on Budget and Policy Priorities

II. ENTITLEMENT INSOLVENCY

Over the last several years, the nation's looming entitlement crisis has garnered increasing attention. This hearing is an opportunity for Members and taxpayers to hear from key experts on: (1) what the fiscal landscape is for Medicare and Medicaid; and (2) why improving the fiscal health and long-term sustainability of Medicare and Medicaid is critical to improving the level of access to quality care for the growing number of seniors and most vulnerable citizens that depend on these programs every day.

The Numbers

¹ Additional witnesses may be added.

The nation's health care spending has grown faster than the economy for several years, posing a significant challenge for the long-term viability of the nation's existing entitlement programs, State budgets and employers alike. The significant increases in Medicare and Medicaid spending, in combination with the looming implementation of the Patient Protection and Affordable Care Act (PPACA), have forced further review of the overall fiscal health of these programs.

Actuaries from the Centers for Medicare and Medicaid Services (CMS) have noted that the government-sponsored share of health spending is projected to increase "to about 50 percent by 2020, driven by expected robust Medicare enrollment growth, Medicaid coverage expansions, and Exchange plan premium and cost-sharing subsidies"² resulting from PPACA.

Total annual Medicare spending will double over the next 10 years - reaching over \$1 trillion per year by 2023.³ The program's spending pattern is unsustainable, and according to the latest Medicare Trustees report, the program will be bankrupt by 2024, while other estimates shown the program could be insolvent by as early as 2016.⁴

Medicaid, the largest consumer of general revenue-based spending on health services, is expected to cost nearly \$5 trillion over the next 10 years (while States will spend an additional \$2 trillion or more). Finally, while not yet implemented, PPACA's newest entitlements will cost American taxpayers an additional \$1 trillion over the same time period.

Last year, more than 1 in 3 Americans were enrolled in a government health care program, including 50 million Medicare beneficiaries and over 60 million Medicaid enrollees. The rate of increase in Medicare enrollment will accelerate dramatically until 2030 due to the baby-boom generation entering the program, and enrollment is expected to hit over 80 million Americans within the next two decades.⁵

Medicaid, a program originally intended for the poorest and sickest citizens, could grow to include over 85 million Americans by 2020 due to the drastic expansion of the program in PPACA. In fact, if PPACA is fully implemented, within the next 10 years approximately half of the nation could be locked into a government health care entitlement program.

Why The Numbers Matter

While the statistics are staggering, the entitlement crisis is not just about the numbers. Failure to consider potential reforms that improve quality, increase access to innovative services, and reduce costs may have devastating consequences on the millions of program beneficiaries.

² <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2010.pdf>

³ http://www.cbo.gov/sites/default/files/cbofiles/attachments/43894_Medicare2.pdf

⁴ <http://www.cms.gov/apps/media/press/release.asp?Counter=4341&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&srchOpt=0&srchData=&keywordType=All&chkNewsType=1%2C+2%2C+3%2C+4%2C+5&intPage=&showAll=&pYear=&year=&desc=&cboOrder=date>

⁵ <http://www.medpac.gov/documents/Jun12DataBookEntireReport.pdf>

This hearing will be an opportunity for Members to understand the financial challenges facing our nation's entitlement programs and also hear from experts on why doing nothing to improve and modernize our entitlement programs has consequences that ultimately hurt the vulnerable beneficiaries Members of both parties want to protect.

III. Staff Contacts

Should you have any questions regarding this hearing, please contact Monica Popp or Robert Horne at (202) 225-2927.