

Demographics, Health & Budget Policy

National Health Policy Forum Policies for an Aging America

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To receive Gene's regular column, "The Government We Deserve," visit
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Budget Issues Related to Demographics & Health

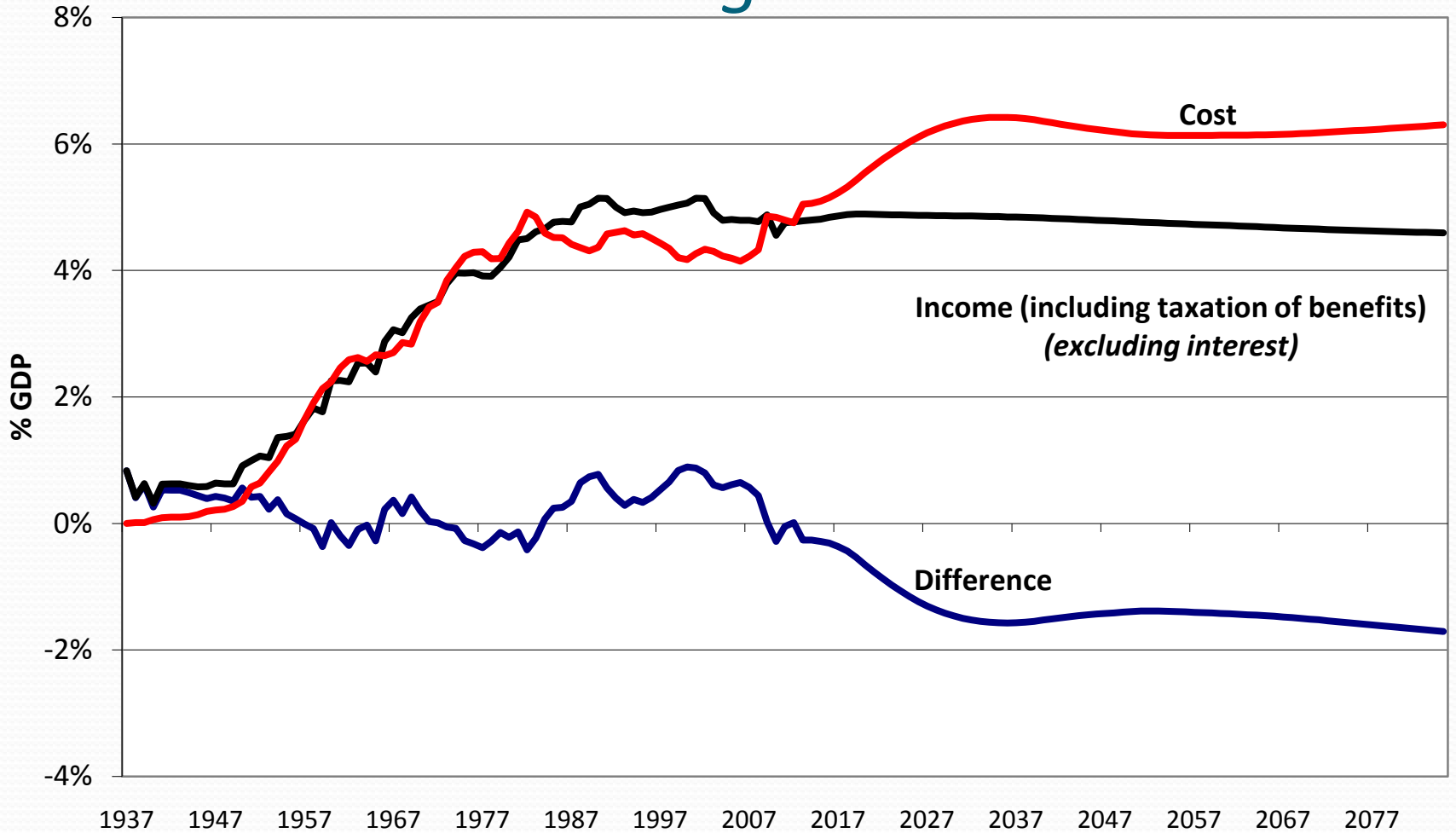
- Decline in fertility
 - Plays out mainly from 2008 to 2030
- Longer lives
 - A main driver of long-run costs
- Worker to retiree ratio
 - Roughly a drop from 3-1 to 2-1
- Increasing Health Costs
 - Dominating budget policy
- Changing family structure
 - Affects distribution of benefits
- Increasingly dependent population
 - Once retire, most largely dependent upon government

“Aging” – a Misleading Label

- Decline in birth rate
 - This increases % of population in last part of life
- Increase in life expectancies
 - This is NOT aging
- Earlier retirement
 - This is NOT aging

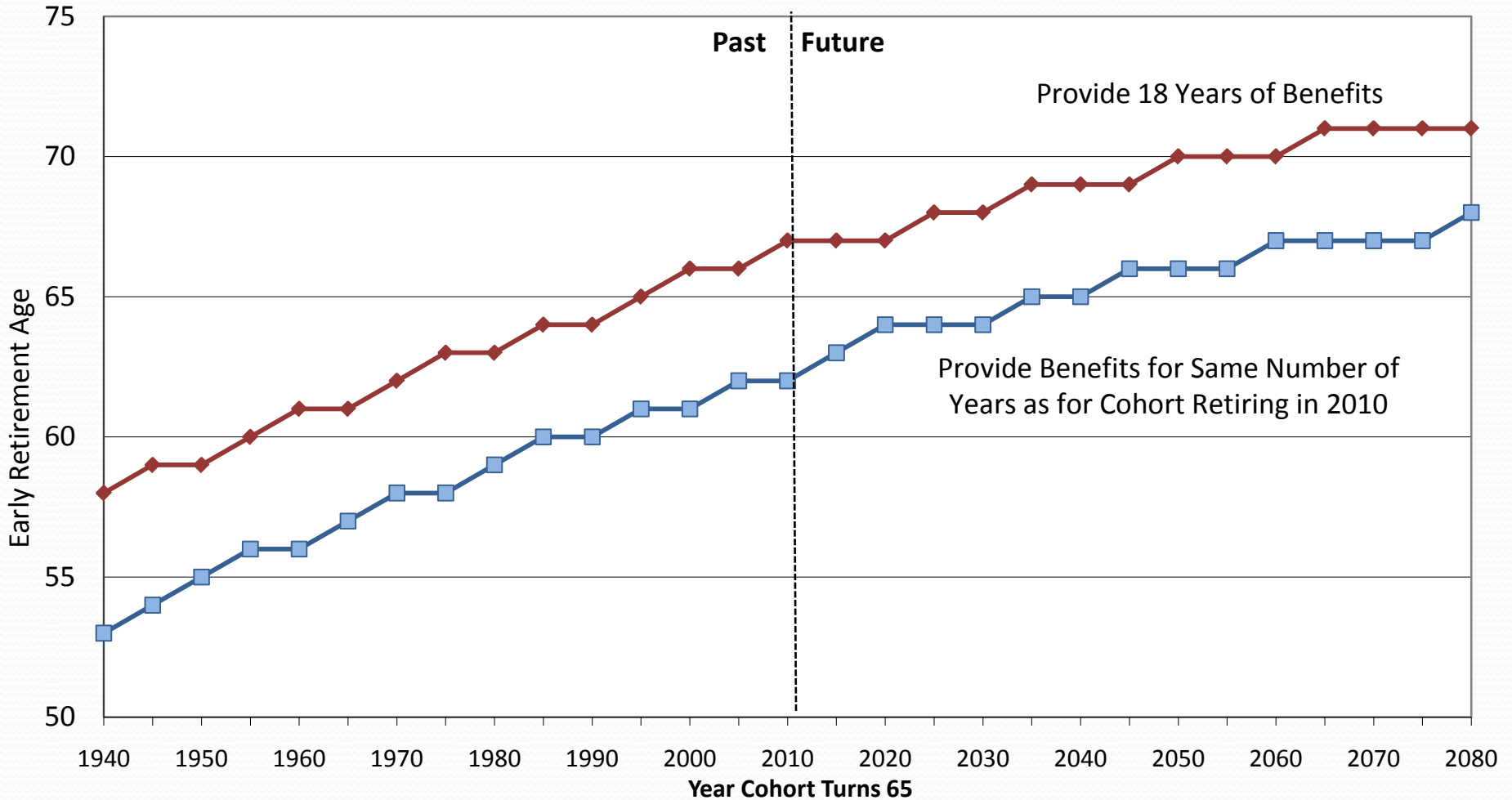
Social Security Cost and Income

Excluding Interest



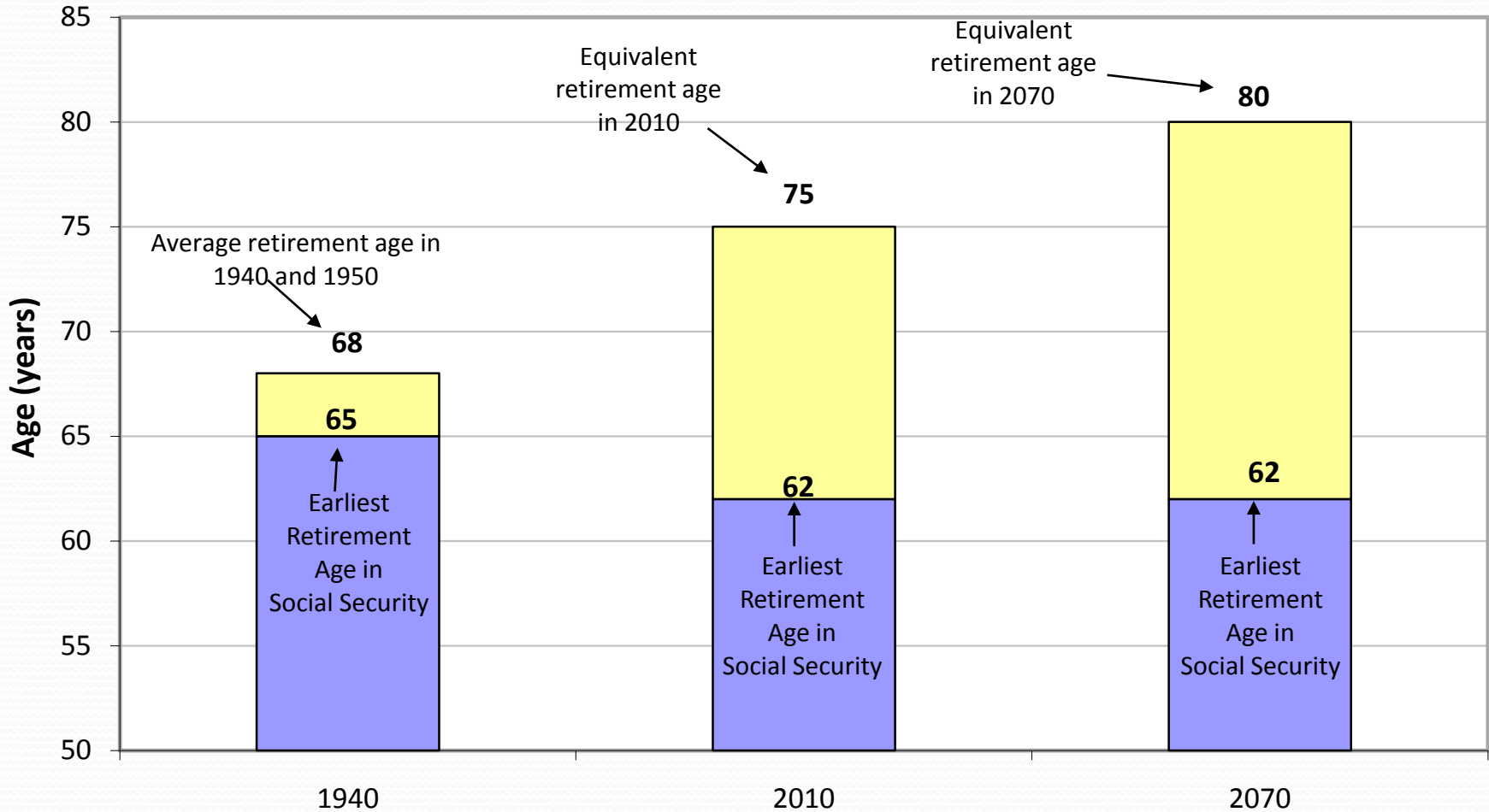
Notes: 2010 OASDI Trustees' Report and Statistical Supplement. Projections assume Intermediate Cost Scenario. GDP estimates from BEA NIPA tables and CBO projections through 2020. Yearly income only. Stephanie Rennane and C. Eugene Steuerle, The Urban Institute, 2010.

What the Retirement Age would be if Years of Support were Held Constant

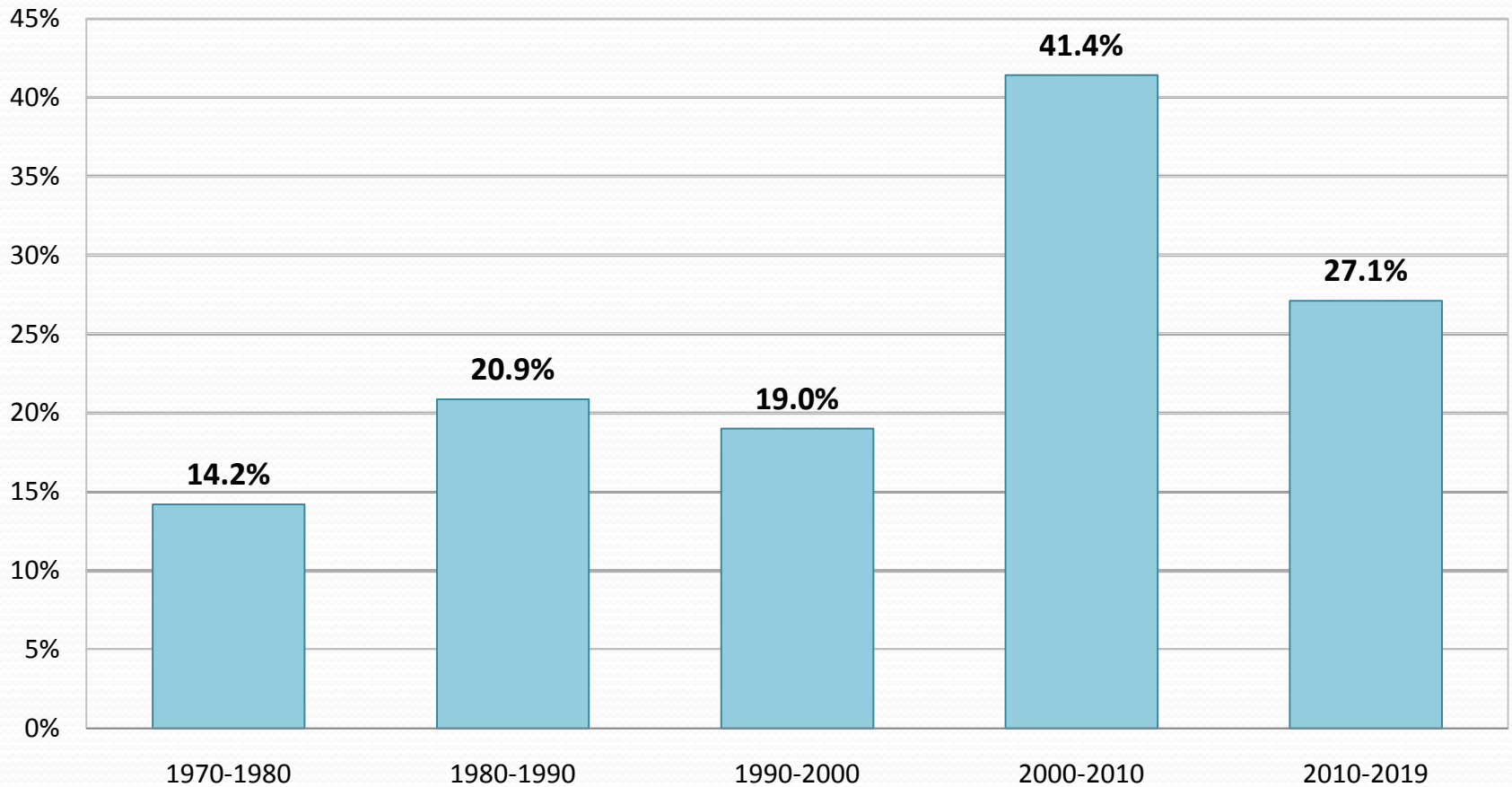


Notes: Calculations based on mortality data from the 2010 OASDI Trustees' Report . Average years of benefits for retirees at ERA in 2010 was approximately 21 years. C. E. Steuerle and S. Rennane, Urban Institute 2010.

Age of Retirement if Number of Years of Benefits remain Constant

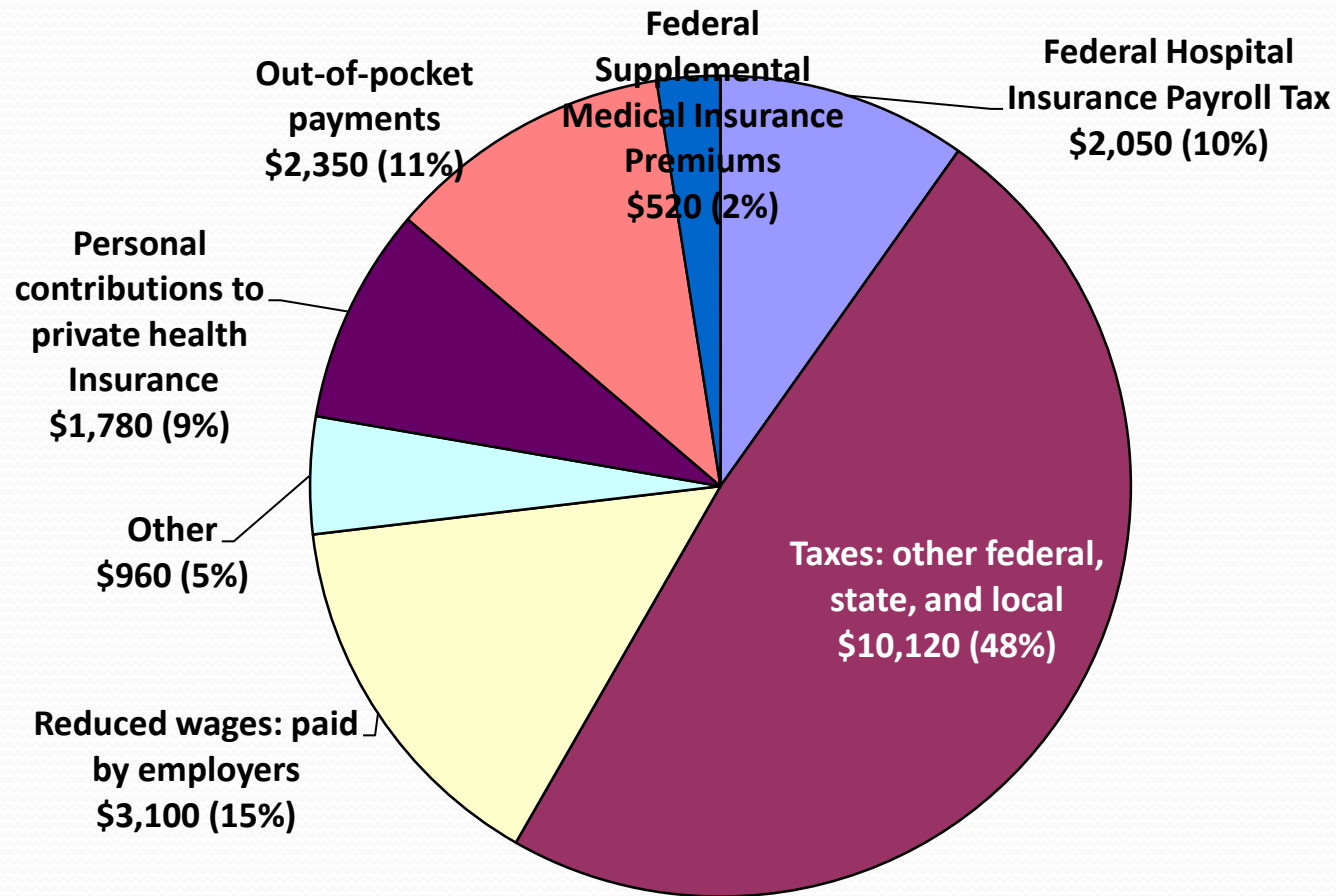


Health Spending Growth as a Share of Total Growth, Per Capita, 1970-2019



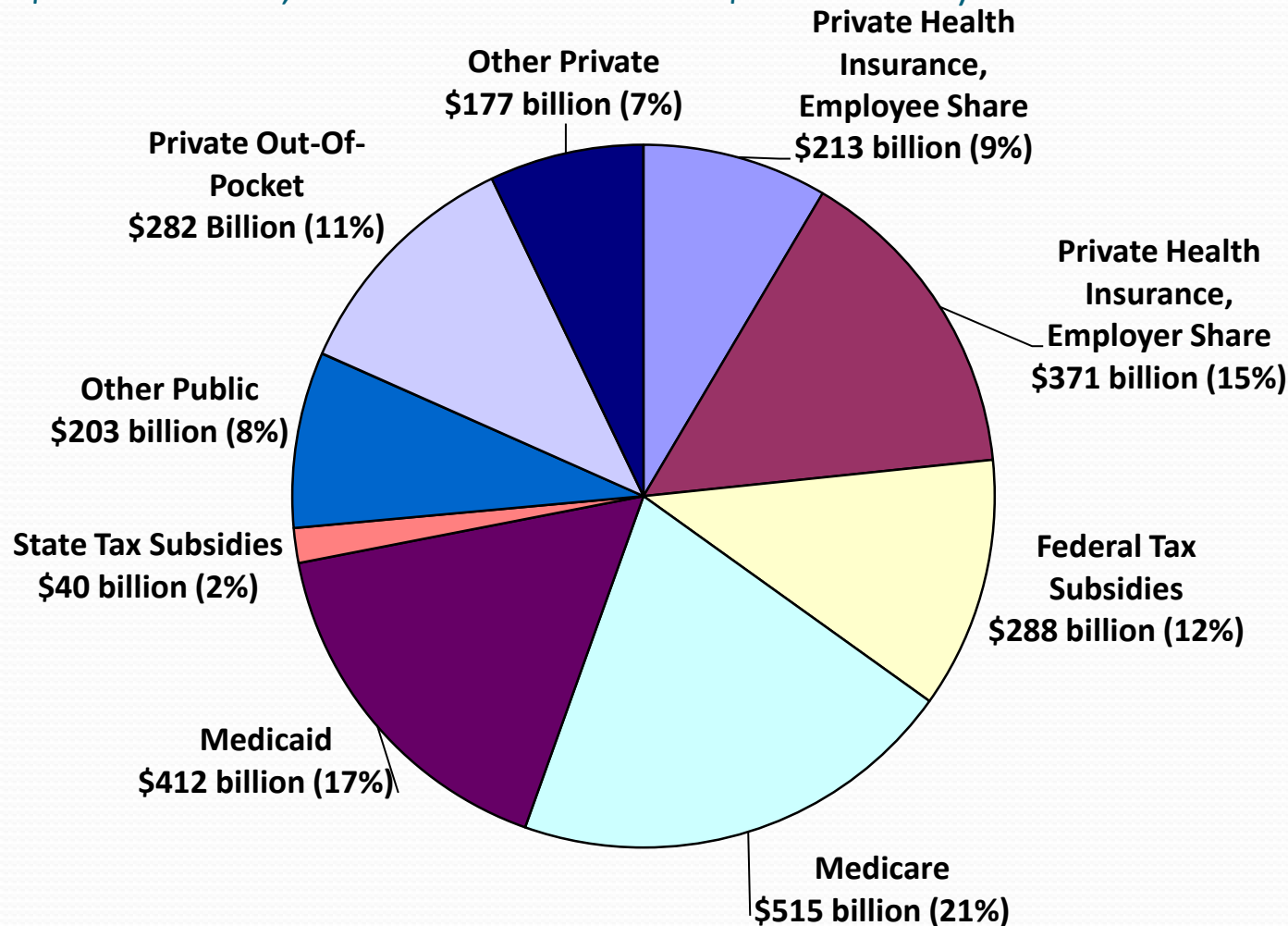
Estimated U.S. Health Expenditures per Household, 2010

(Total = \$20,880; through Government Taxes = \$12,170)

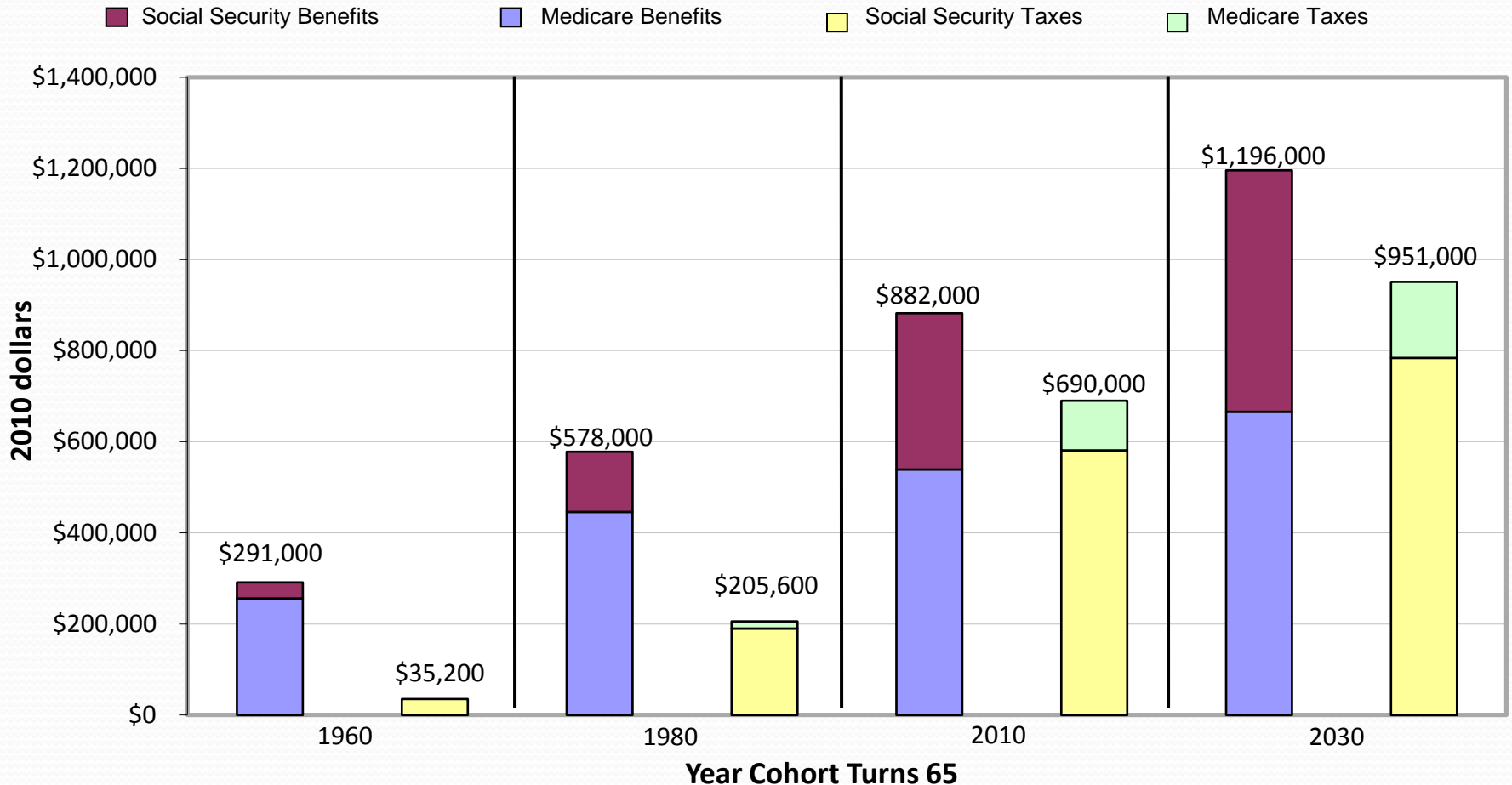


Estimated Sources of Financing for U.S. Health Care Expenditures, 2010

(Total = \$2.501 Trillion, Government Sources = \$1.46 Trillion)

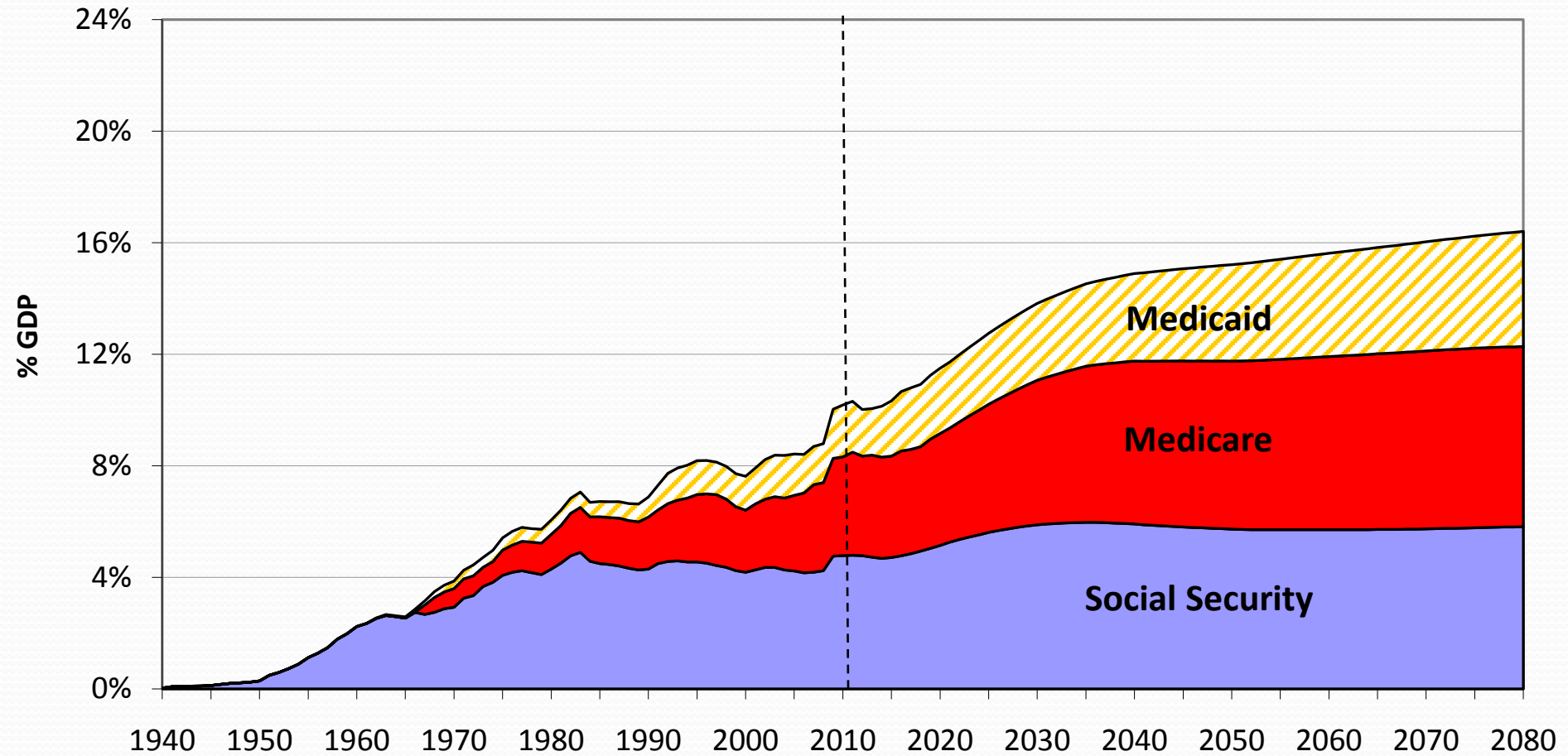


Lifetime Social Security and Expected* Medicare Benefits for an Average Wage, Two Earner Couple (\$43.1k)



* Expected rather than realized benefits. Notes: The "average" wage profiles are those hypothetical profiles used by the Social Security Administration in its analyses. Lifetime amounts are rounded and discounted to present value at age 65 using a 2 percent real interest rate and adjusted for mortality. Projections based on intermediate assumptions of the 2010 OASDI and HI/SMI Trustees Reports. Includes Medicare Part D. Source: C. Eugene Steuerle, 2010. Based on earlier work with Adam Carasso.

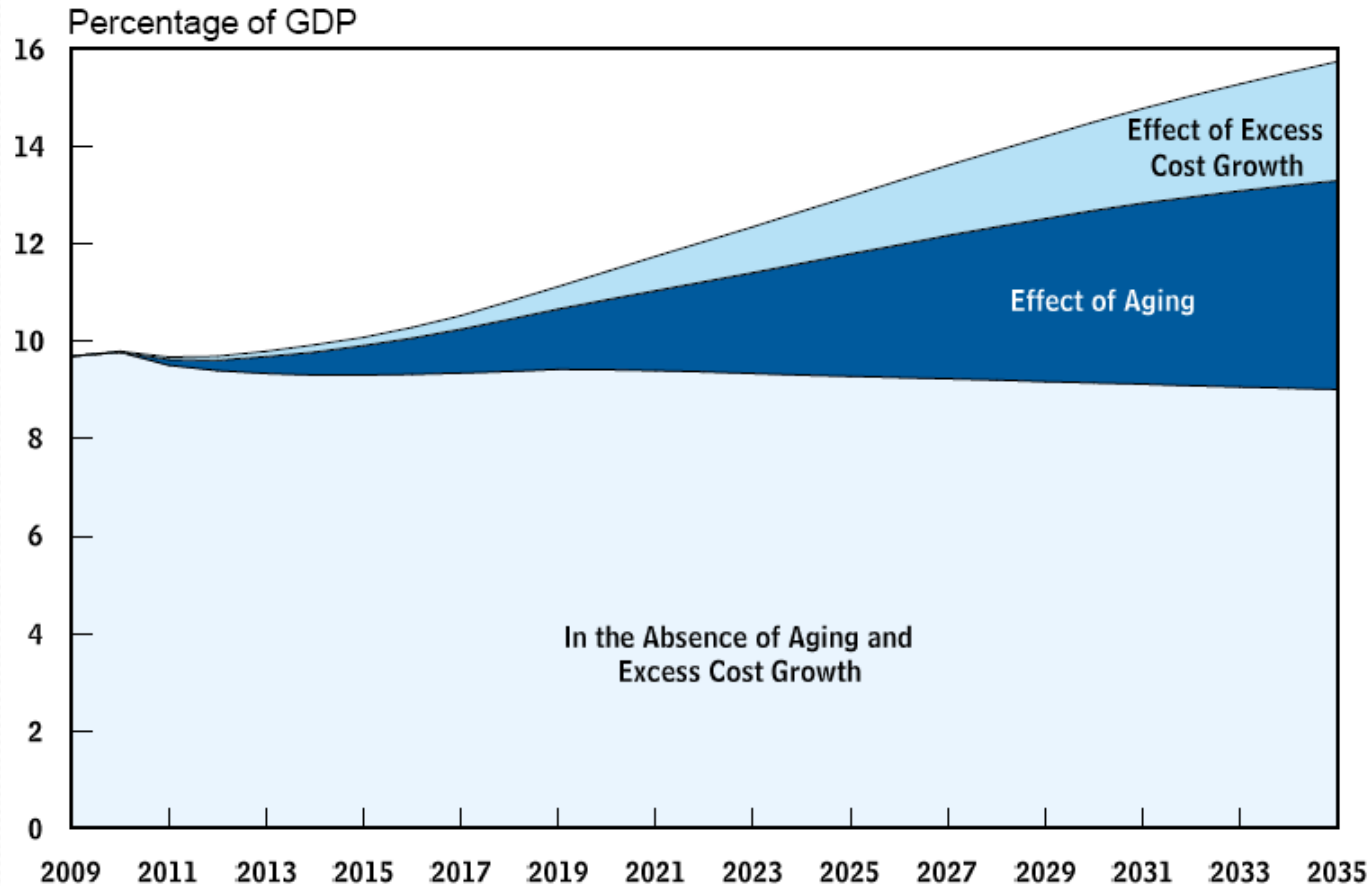
Federal Medicaid, Medicare and Social Security Spending as a Percent of GDP



Note: Authors used 2010 CBO data for Social Security, Medicare, and Medicaid through 2020, and grew Social Security and Medicare levels with Trustees data and Medicaid with CBO data.

Source: C. E. Steuerle and S. Rennane, The Urban Institute 2010. Based on earlier work with A. Carasso and G. Reynolds.

Aging and Health Care: Interaction

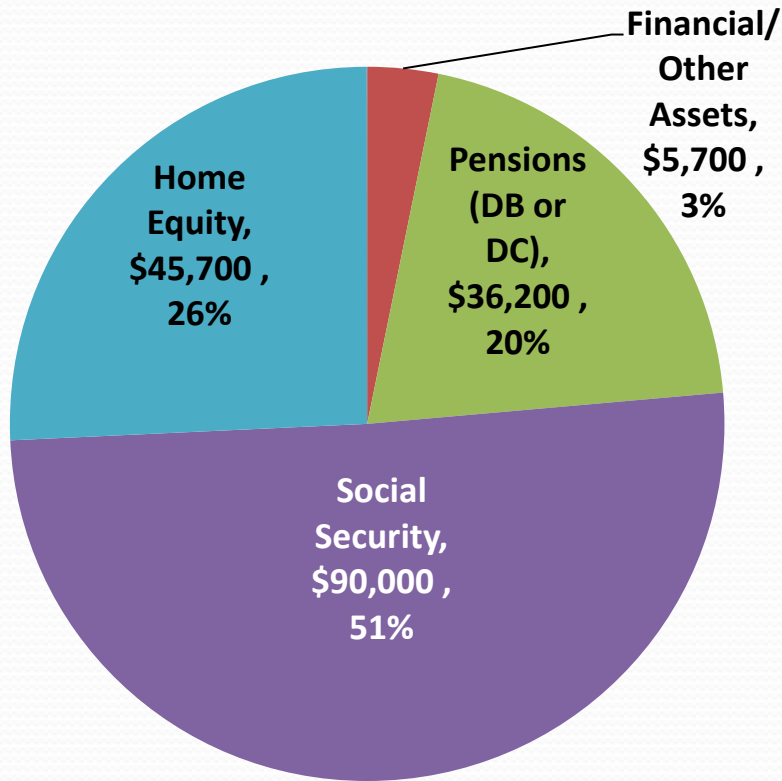


Notes: Projections are from CBO's June 2009 Long-Term Budget Outlook and exclude CBO's subsequent updates to the budget outlook as well as the effects of the Patient Protection and Affordable Care Act (Public Law 111-148) and the Reconciliation Act of 2010 (Public Law 111-152).

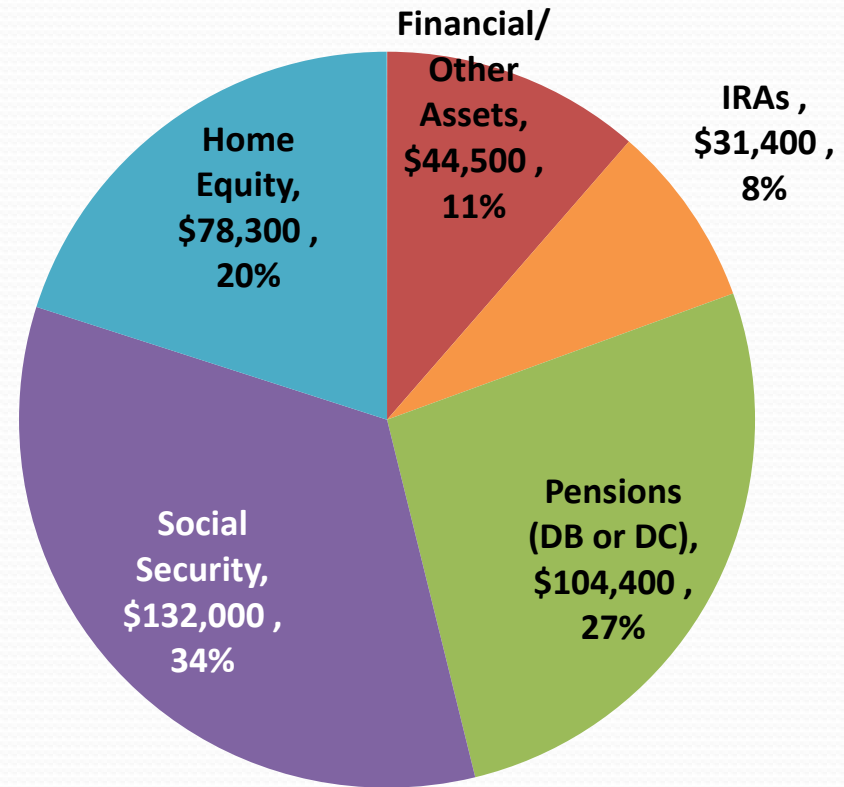
New Spending over the Decade

	Growth in Outlays 2010 to 2020	Share of the Assumed New Spending Each Category
Social Security, Medicare, and Medicaid (non-child)	726	59%
Interest on the Debt	468	38%
Other Outlays	-7	-0.6%
Defense (negative w/o health)	26	2%
Children (negative w/o health)	14	1.2%
Total Outlays	1,228	100%

Composition of Assets for a Worker, Bottom & Middle Income Quintile, Aged 55-64 (\$2010)



Bottom Income Quintile, Total = \$177,600



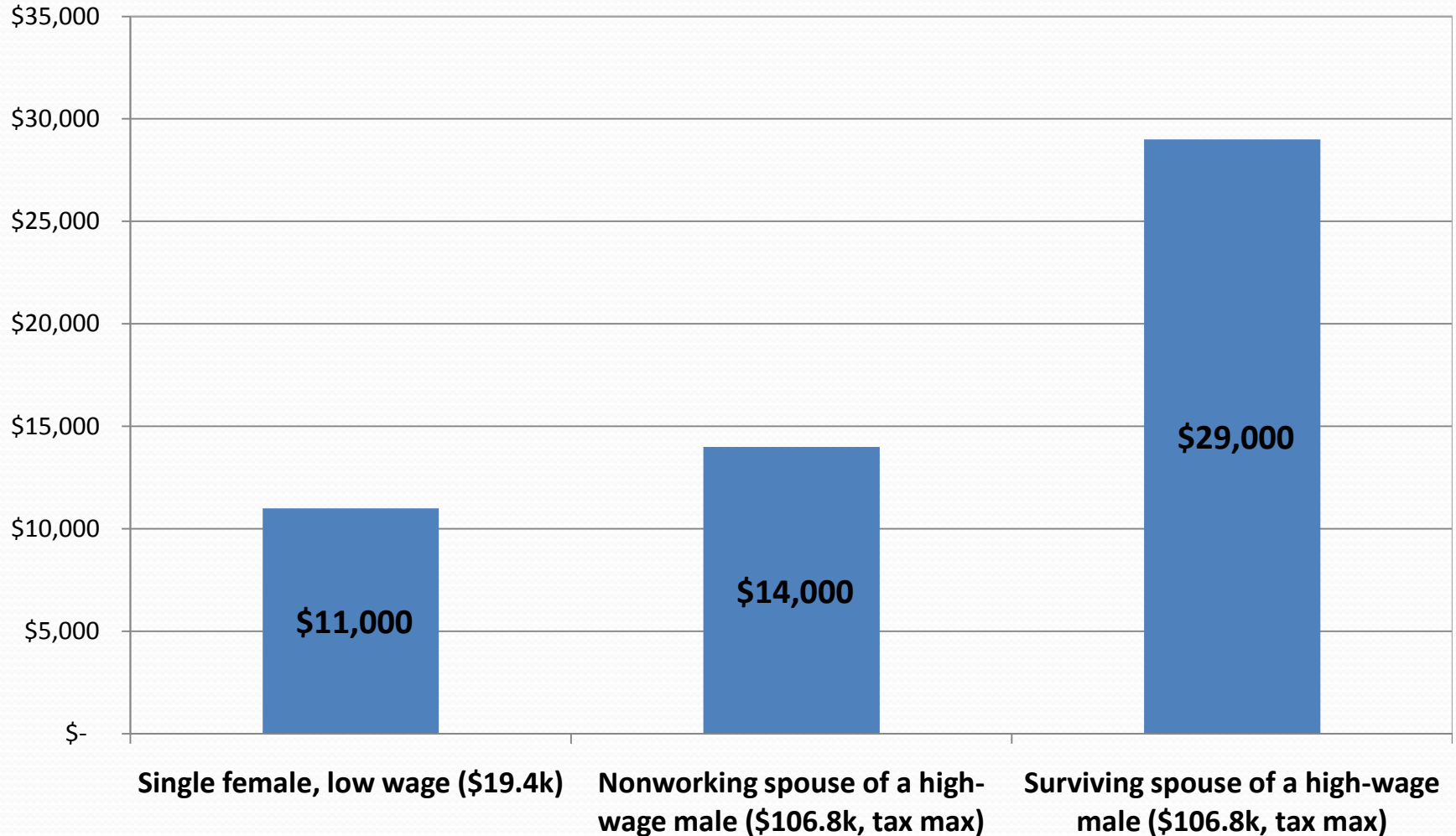
Middle Income Quintile, Total = \$390,600

Notes: Financial and other assets include bank accounts, CDs, stocks, bonds, mutual funds, property, businesses, vehicles, and other financial assets net of non-housing debt. Social Security and defined benefit (DB) pension wealth are the expected present value of future benefits. Future Social Security benefits are based on lifetime earnings records that were statistically matched to adults in the SCF from DYNASIM3. Future DB pension benefits are based on expected or current benefits. Analysis combines the 2001 and 2004 surveys and all amounts are in 2004 dollars. Mermin et al 2008, The Urban Institute.

Family Issues

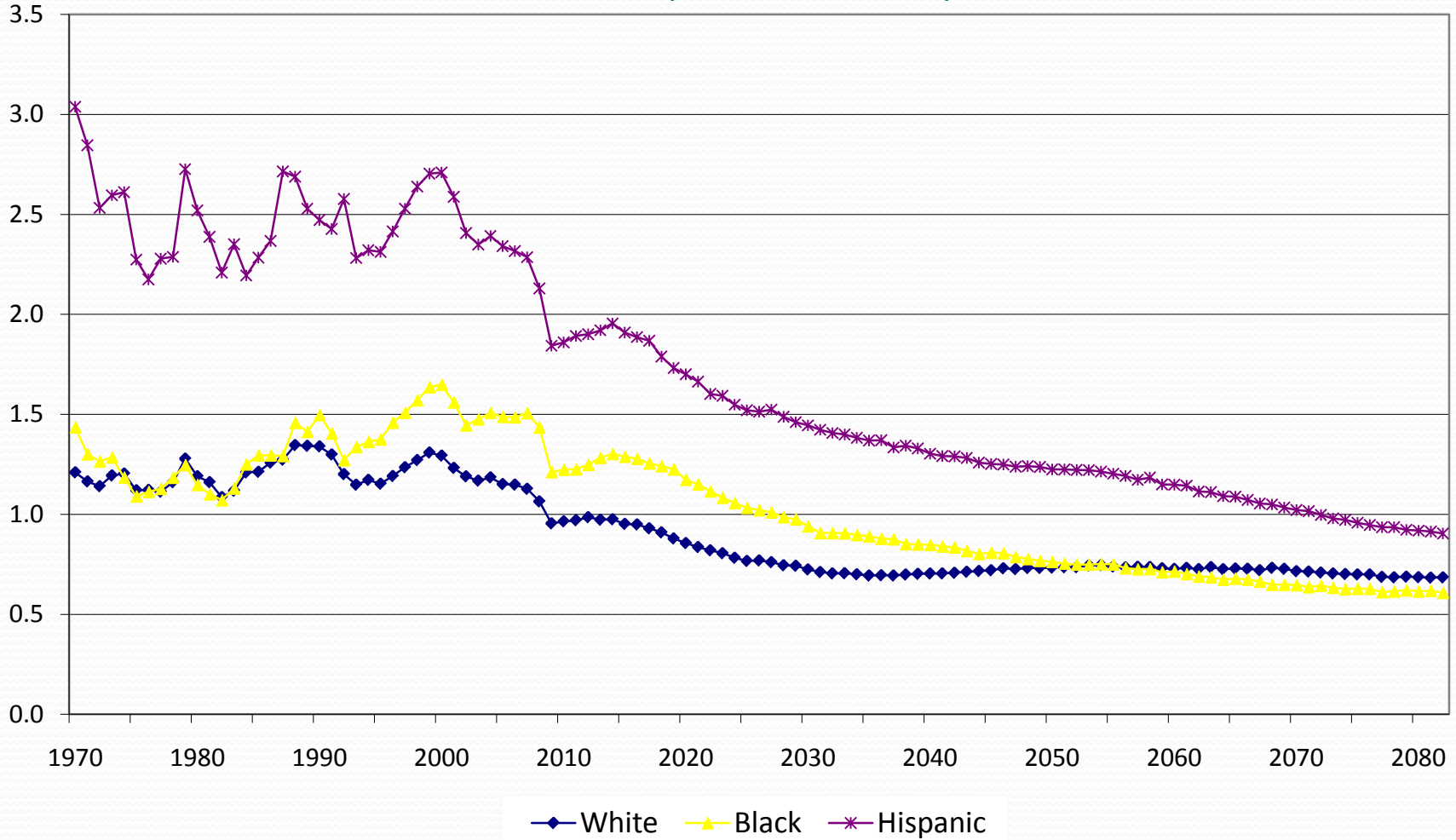
- Inequitable treatment of dual-earner couples
 - Fewer benefits than single earners with equal incomes
- Inequitable treatment of single heads of household
 - Fewer benefits than spouses w/no children & paying no taxes
- Arbitrary rewards and penalties for marriage
 - Multiple free spousal awards
 - No spousal award for marriage of less than 10 years
- Higher subsidies for those who have children later in life

Discrimination Against Single Heads of Household by Annual Social Security Benefits

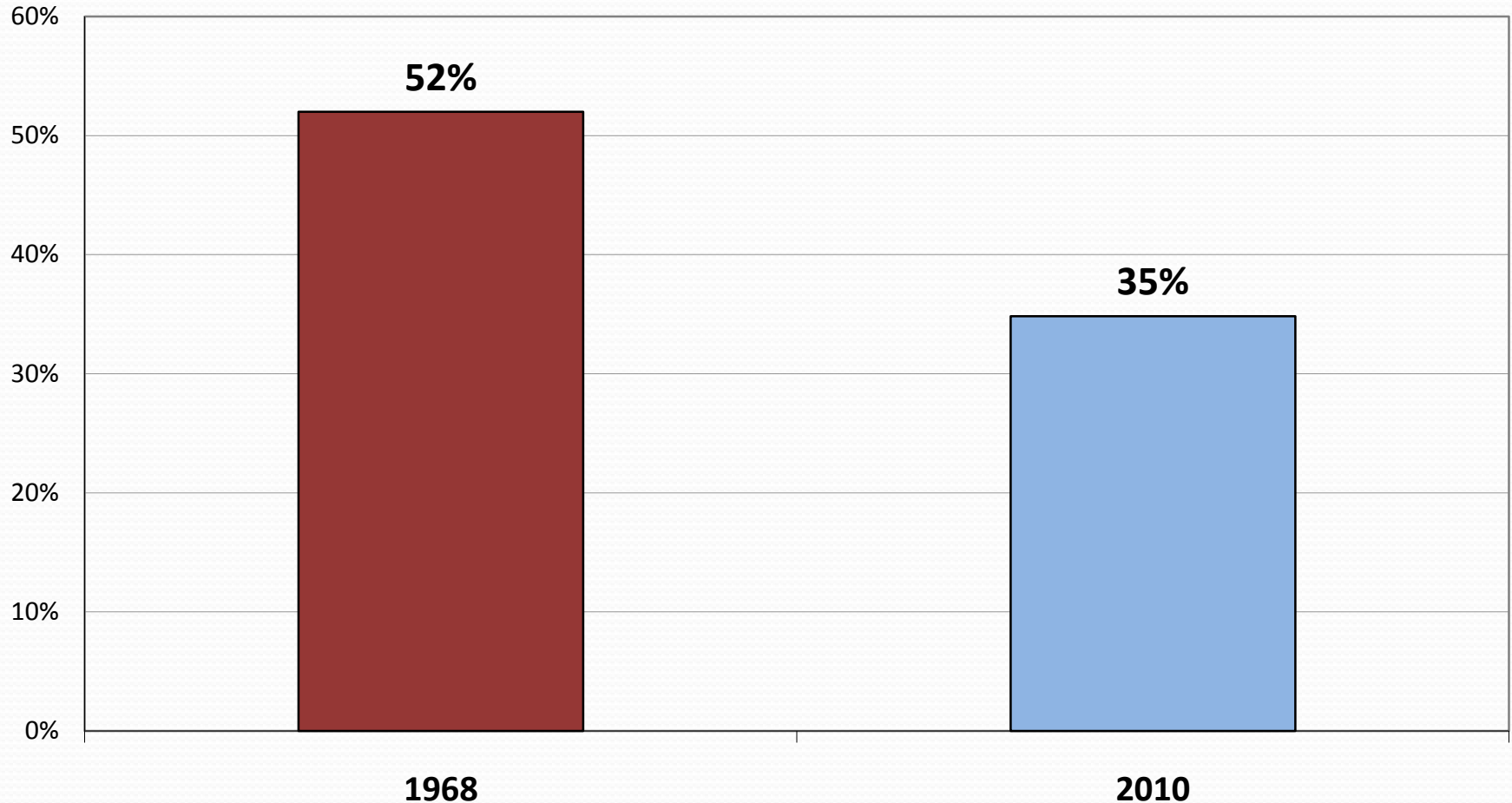


How Social Security Redistributes From Racial/Ethnic Groups With Larger Families & More Recent Immigration

Social Security Taxes/Benefits, by Race

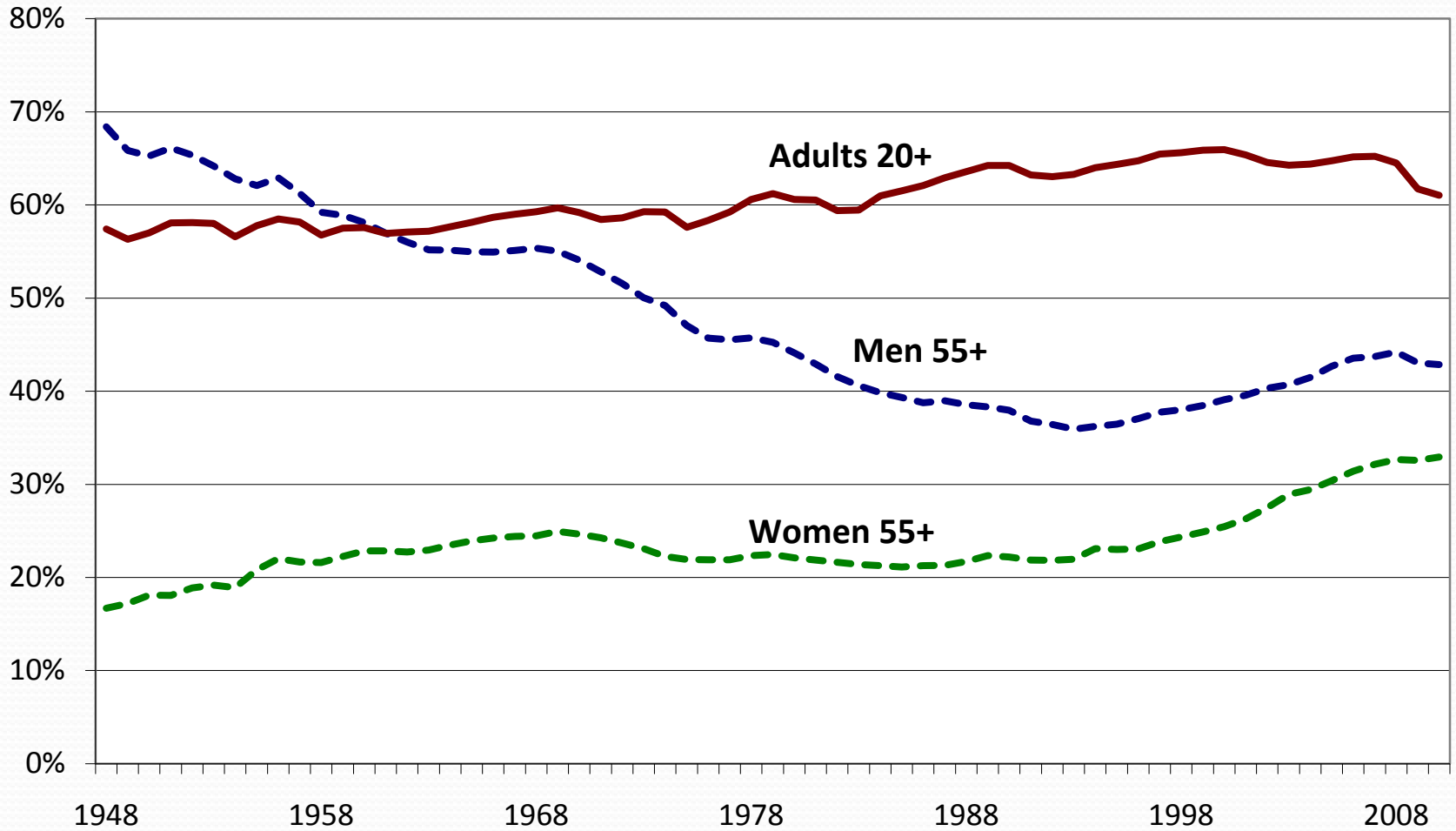


Proportion of Men's Social Security Benefits Going to Men With Less Than 10 Years Remaining Life Expectancy



Notes: Based on data from the Social Security Administration's 2009 Annual Statistical Supplement. Stephanie Rennane and C. Eugene Steuerle, The Urban Institute, 2010.

Employment-Population Ratio, 1948-2010



Conclusion

- Health & retirement
 - Dominated growth in government for 70 years
 - Scheduled to be even more dominant in the future
 - Mainly a political, not economic, decision
 - Related to but not forced by demographics (except for fertility)
 - Ever more retirement years & health cost growth built into system
- Transition
 - Inevitable
 - Difficult politically
 - Difficult because of dependence
 - But necessary to invest in the future & our children
 - Employment & health cost containment crucial