

# How Money Flows Through Government Healthcare

And the Understanding Health Insurance

Friday January 10, 2025





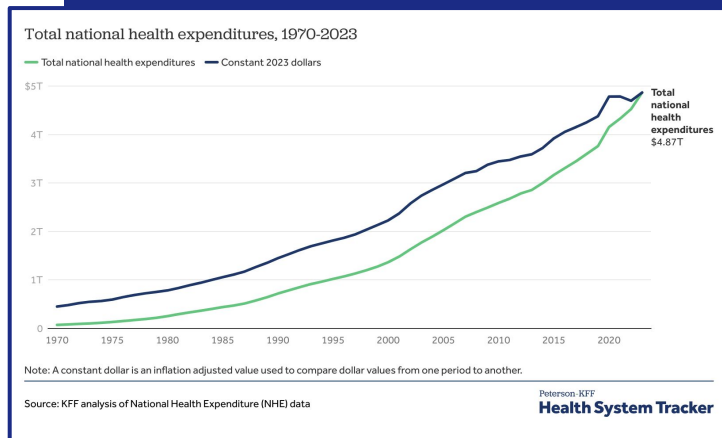
# Agenda

1. Introduction
2. How Money Flows Through Federal Healthcare
3. Taxpayer Subsidies for Private Insurers
4. The Implications of Nationalizing Health Insurance
5. Conclusion & Q&A

# Introduction

## The Big Picture

- National Health Expenditures (NHE) grew 7.5% to \$4.9 trillion in 2023, or \$14,570 per person, and accounted for 17.6% of Gross Domestic Product (GDP).
- Federal healthcare programs (Medicare, Medicaid, CHIP) consume 25% of the federal budget.



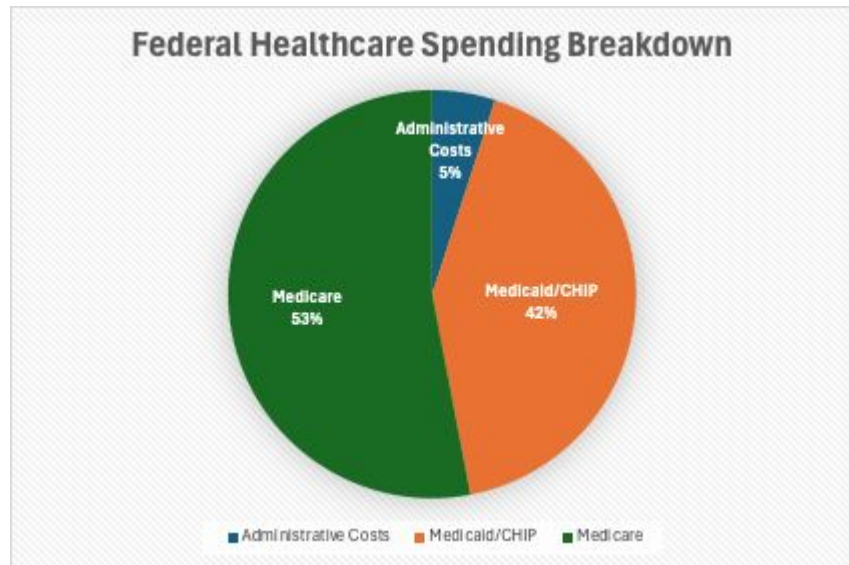
# Federal Healthcare Spending Breakdown

**Largest programs:** Medicare, Medicaid, CHIP

**Sources of Funding:**

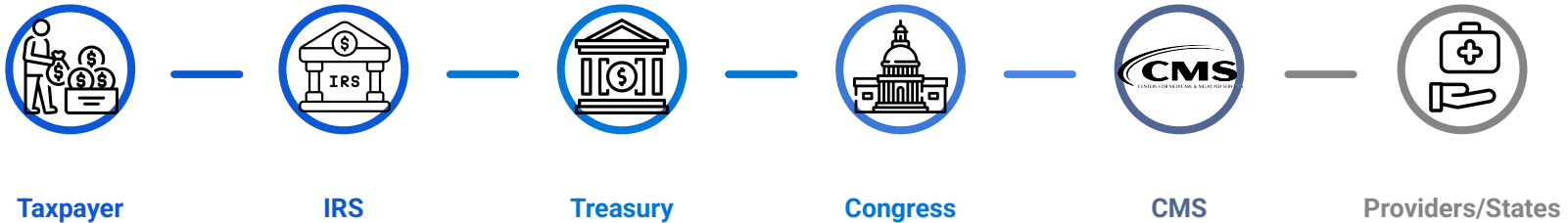
- **Income Taxes:** General revenues
- **Payroll Taxes:** Dedicated to Medicare
- **Borrowing:** Covers budget shortfalls

**\$1.7 trillion annually  
spent on these programs**



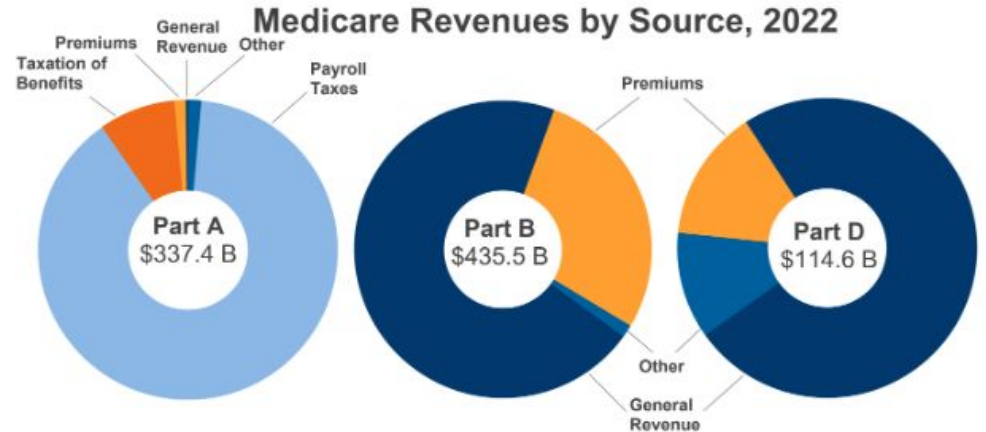
# How Taxes Fund Healthcare

1. Taxes collected by the IRS (Income and payroll taxes).
2. Funds transferred to the U.S. Treasury.
3. Congress allocates money through budget appropriations.
4. Programs like CMS distribute funds to states, hospitals and providers.



# Medicare: How It's Funded

- **Part A:** Funded by payroll taxes (trust fund).
- **Parts B & D:** Funded by general tax revenue and premiums.
- **Spending areas:**
  - **40%:** Hospitals
  - **25%:** Physicians
  - **15%:** Prescription drugs



**Note:** Medicare Part C is not separately depicted because it draws its funding from Parts A and B.  
**Source:** Centers for Medicare and Medicaid Services, 2023 Medicare Trustees Report, Table II.B1



# Medicaid and CHIP Funding

## Medicaid:

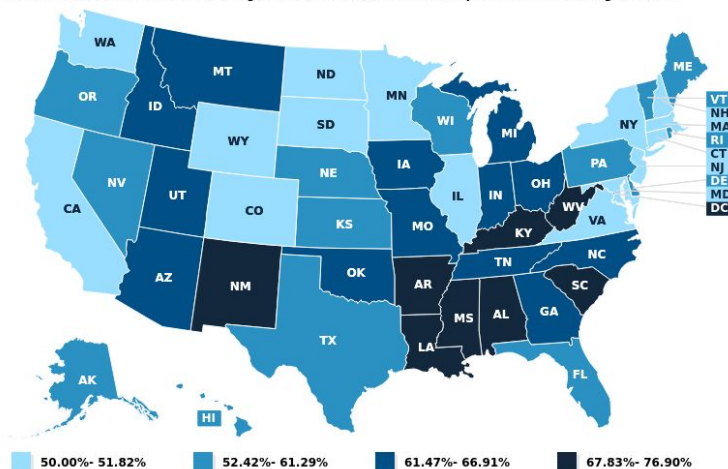
- Joint federal-state program
- FMAP: Federal pays higher % for poorer states

## CHIP:

- Covers children in low-income families
- Federally matched funds provided to states

Managed Care:  
**70%** of Medicaid enrollees are in managed care.

Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier: FMAP Percentage, FY 2026



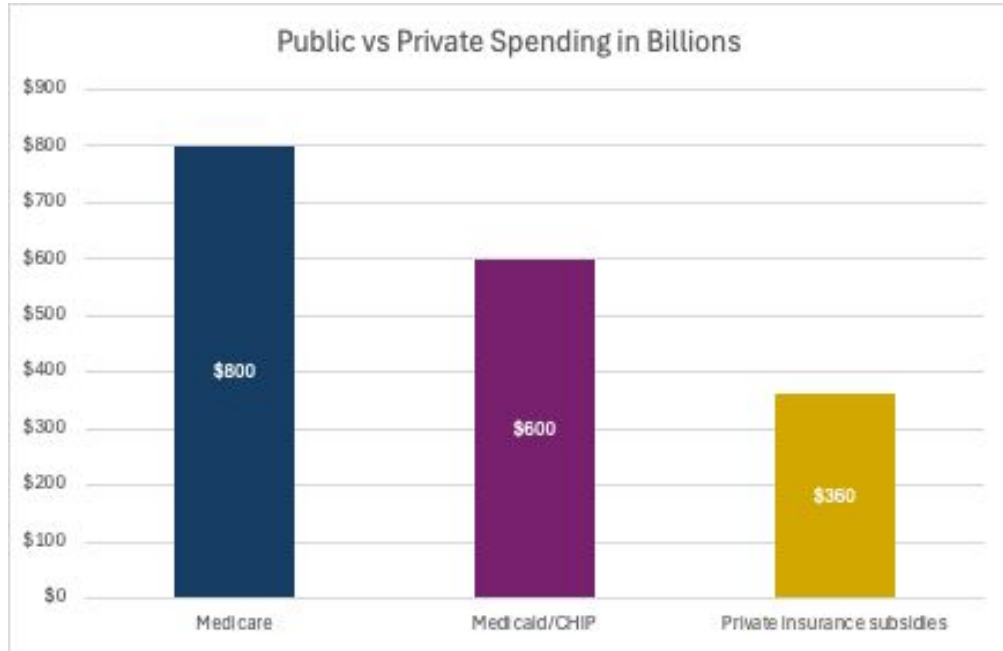
SOURCE: KFF's State Health Facts.

States like Mississippi receive **78%** federal match, while wealthier states like California receive **50%**.



# How Taxpayers Support Private Insurers

- **Employer-sponsored insurance exclusion:** \$300 billion/year in lost revenue.
- **ACA subsidies:** \$60 billion/year in premium assistance.
- **Total:** Taxpayer dollars heavily subsidize private insurance.





# Private vs. Public Administrative Costs

## Private Insurers:

- Administrative costs: **12-20%** of premiums.

## Medicare:

- Administrative costs: **2%** of spending.

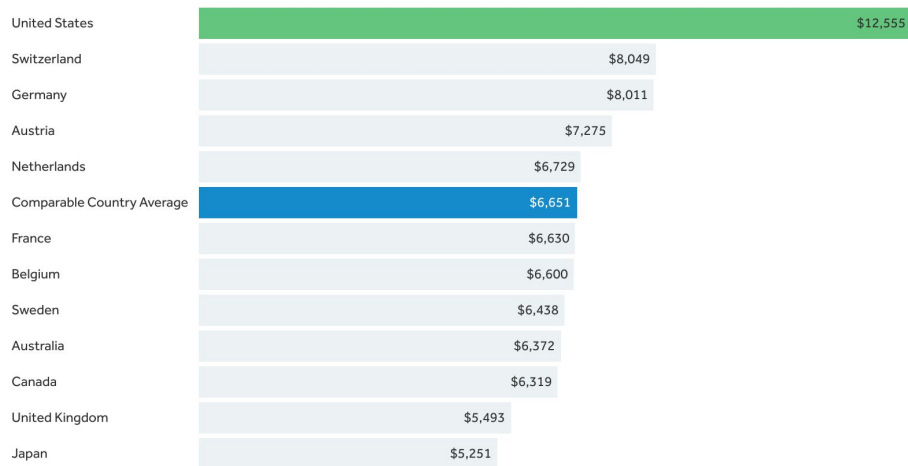
Eliminating private insurers would save **\$500 billion annually** in administrative costs.



# How Does the U.S. Compare?

- U.S.: \$12,000 per capita healthcare spending, with poorer outcomes.
- Canada: \$6,000 per capita, better outcomes, including life expectancy and infant mortality.
- U.S. spends more and achieves less.

Health expenditures per capita, U.S. dollars, 2022 (current prices and PPP adjusted)



Notes: Data from Australia, Belgium, France, Japan, Switzerland, and the U.S. are estimated. Data from Austria, Canada, Germany, the Netherlands, Sweden and the United Kingdom are provisional.

Source: KFF analysis of OECD data



# Single-Payer System: Savings Potential

- \$500 billion saved annually in administrative costs.
- Lower drug prices: Negotiations under single-payer system.
- Canada spends 50% less on prescriptions.



# Questions?



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Providing health care is like building a house. The task requires experts, expensive equipment and materials, and a huge amount of coordination.

— **Atul Gawande**  
*American surgeon, Writer, & Public Health Researcher*

