

Macro Roundup Article

Headline: Policy Steps in the Federal Budget and Health Care to Achieve Sustainable Fiscal Conditions in the U.S.

Article Link: <https://www.aei.org/research-products/journal-publication/policy-steps-in-the-federal-budget-and-health-care-to-achieve-sustainable-fiscal-conditions-in-the-u-s/>

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Tweet: Analysis led by Mark Warshawsky @AEIecon finds that CBO projections significantly underestimate rising healthcare costs, and proposes changing incentives to curb rising demand, and more rapid adoption of new technologies to improve productivity.

Summary: Health care spending has grown significantly in the US, and is a major cause of rising federal deficits. Official projections find that low economic growth and aging of the population will lead to a modest continuation of this situation, but they miss that labor shortages have a particular impact on inefficient sectors, raising the cost of healthcare. We find that the current fiscal trajectory of the US is unsustainable, with future deficits and debt well beyond both historical norms and official projections. Table 1 gives a summary of the official projections for select future years, and compares it with our projections in key areas. We are fairly close to the official projections in the near term, but we see a worse situation in the medium and long term. In particular, our projection is that health care prices are higher and grow faster than the Trustees and CBO who see a cooling off. Policy steps, focusing on reducing health care spending, increasing capital, and fiscal retrenchment, can lead to sustainable fiscal conditions and raise living standards that will otherwise fall.

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Primary Topic: Government Spending

Topics: Academic paper, Database, Fiscal Policy, Government Spending, Politics

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