Politics and Health Care Spending in the United States

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Introduction

• Federal spending on health care in the US was $1.5 trillion in 2017. Medicare alone spent $400 billion on hospital care (CMS, 2015)

• A significant portion of that spending is directly influenced by voting by members of Congress
  
  • In 2015, $260 million was spent by hospitals and health professionals on lobbying (2.7 times more than was spent lobbying by banking industry) [Data from opensecrets.org, 2016]

• Need to understand that politics influences spending patterns
Spending by Party in Congress and WH

- The lines represent the average distance of spending in Republican or Democratic districts from the national average that year.
  - For example, in 1995, CMS spending per enrollee in the average Republican district was 0.18 standard deviations below the average district in the US for ’95, and spending in Democratic districts was on average 0.21 standard deviations above the national average.
- These results are consistent with the story that a president (or his secretary of HHS) can funnel more money to the districts of fellow party-members.
Health Care is the Most Heavily Lobbied Industry in the US

Lobbying Dollars by Industry, 2016

Source: opensecrets.org, 2017
Programs that Alter Medicare Payment Rates

- 37.6% of hospitals have received a reclassification of their wage index

Average Percent Gain in the Wage Index as a Result of Reclassifications and Exceptions, by Type, FY 2012

Source: Data from the American Hospital Association based on FY2012 inpatient PPS payments.
Section 508 Program

Inpatient Spending

- 95% CI for High
- Low 508 Recipients
- High 508 Recipients
- Applied and Rejected

Inpatient Medicare Spending ($ Millions)

- MMA Signed into Law
- Section 508 Re-authorized

Year

2002 2003 2004 2005 2006 2007 2008 2009 2010
A 508 waiver led to an increase in health sector county hires of 378+ in 2005 and 20 per year from 2006-2010, on a base of 2,013 hires in 2004 for hospitals that would receive a waiver.

+p<0.10, *p<0.05, **p<0.01

Adjusted by county and year fixed effects normalized to 2004. Standard errors clustered by county.

378 x $50,000 = $18.9 million
≈ $14 million increase in Payroll
The 508 Hospitals Formed a PAC to Lobby Members of Congress

In 2005, the Section 508 Coalition (political action committee) was formed.

Notes: We plot the total amount of lobbying dollars spent by the Section 508 Coalition from 2005 to 2012. Data are from opensecrets.org.
The Impact of the Receipt of a 508 Waiver on Campaign Contributions

(A) Campaign Contributions to 108th House Representatives from all Donors ($)

- 95% CI for High
- More than 1 508 Hospital
- 1 508 hospital
- Applied but rejected

Data Source: DIME.