



HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

The Impact of the “CAP Act” on Families, Employers and Health Care Providers

6-22-2011

The “CAP” Act

- Lower Federal spending to 20.8 percent of GDP by 2021
- Applies to all spending including Social Security
- Automatic sequestration of spending if spending is expected to exceed cap
- Cuts by program in proportion to the growth in costs in the most recent year
 - Because the aging population, greater health needs and poor economy contribute to the high growth in Social Security, Medicare and Medicaid, these programs are hit especially hard
- Medicare and Medicaid payments would be cut by \$1.6 trillion

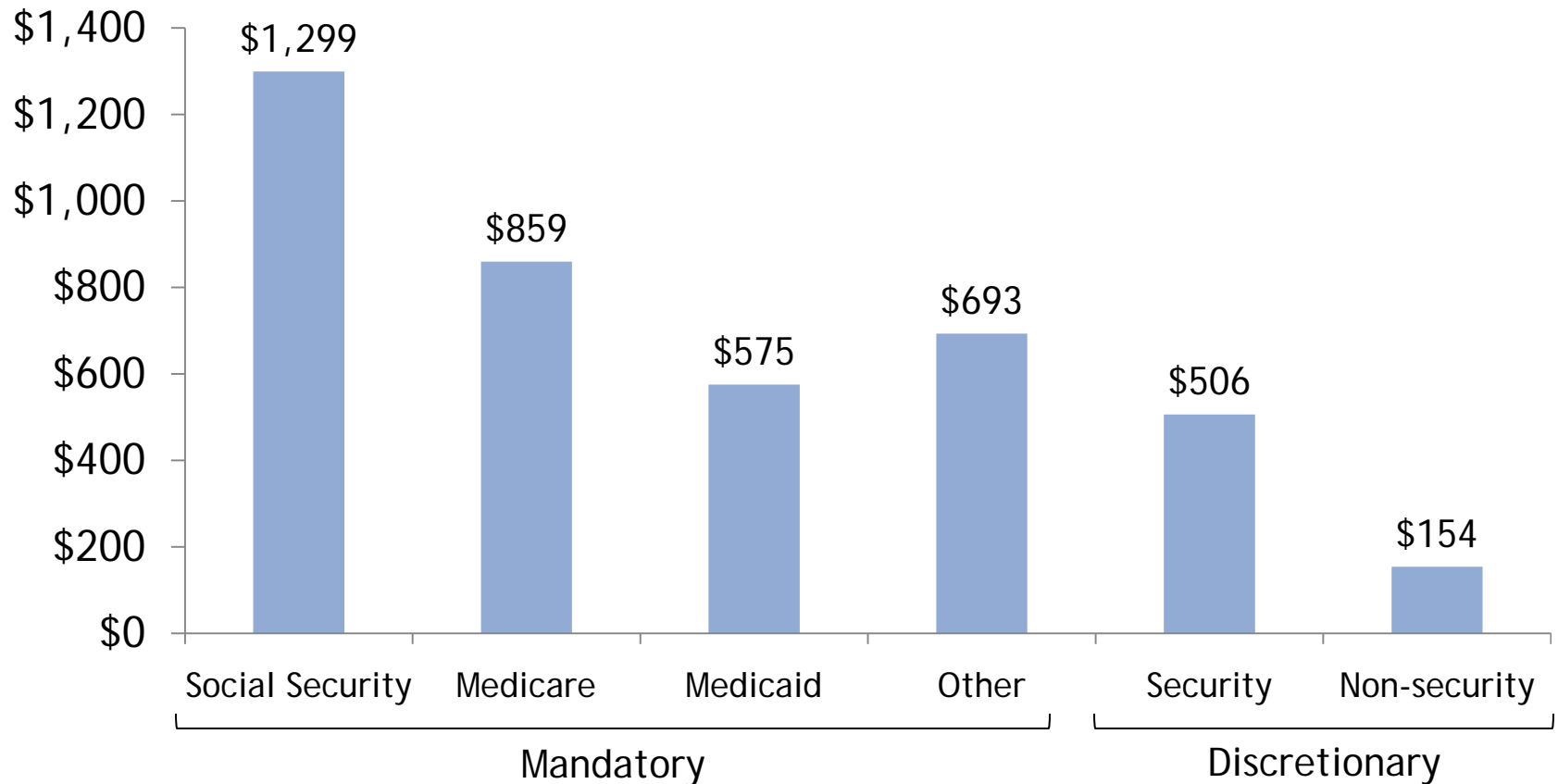
**Would cut \$4.2 trillion dollars from federal spending
from 2013-2021**

Impact on People by 2021

- Social Security benefits would be cut by nearly 20 percent
- Cuts to Social Security and other income support programs would force 3.8 million people into poverty--2.1 million of them seniors, a 44% increase
- 5.1 million individuals would lose their health insurance
- Cuts to hospitals would force most to operate in the red, jeopardizing access to care
- Dramatic reductions in fees for physician services could lead to fewer physicians participating in Medicare
- Up to 1.3 million health care workers could lose their jobs
- Cost shifting of federal payment shortfalls to private employers could lead to a nearly 5% increase in health insurance premiums

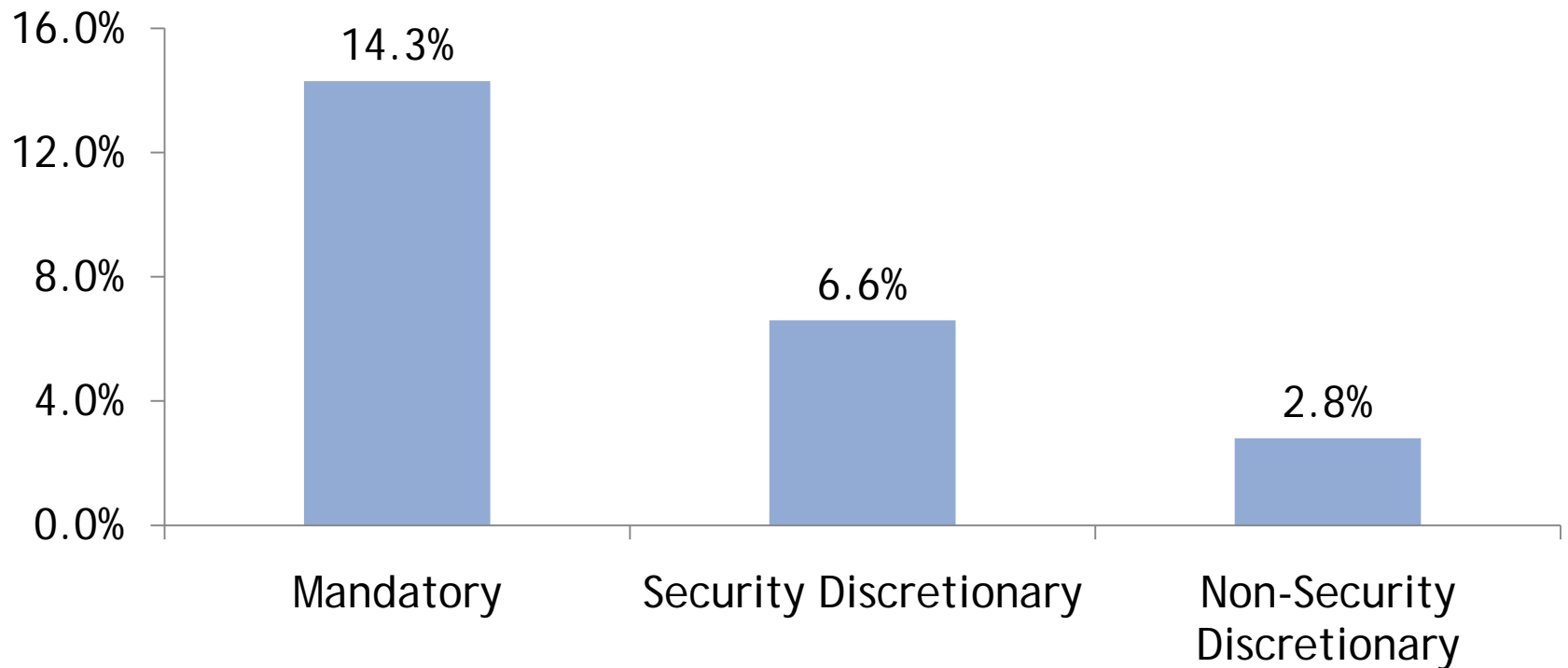
The CAP Act would cut \$4.2 trillion across a range of programs

Sequestration by Category of Spending: 2013-2021 (billions)



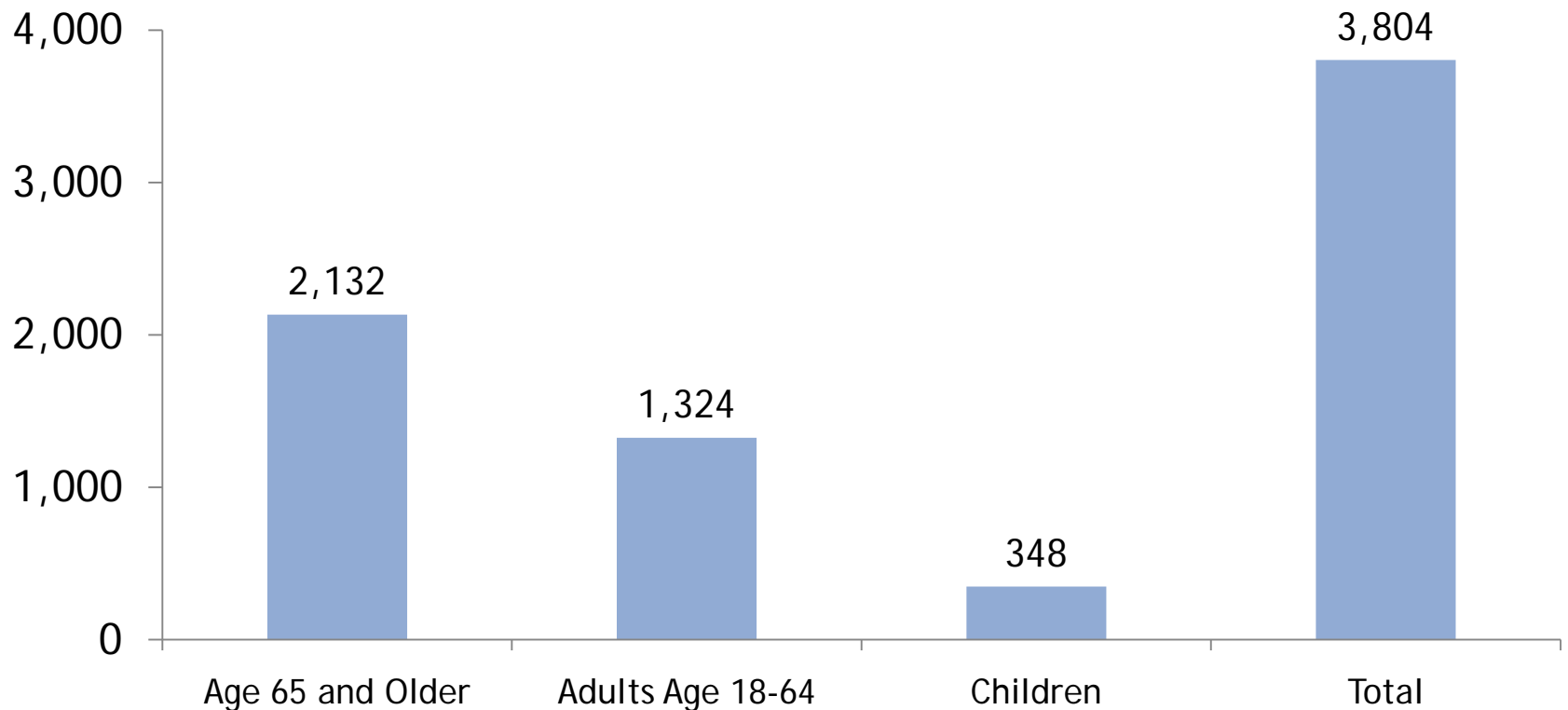
Mandatory programs - Social Security, Medicare and Medicaid - are hit especially hard

Average Percentage Reduction in Spending by Spending Group under the CAP Act: 2013-2021



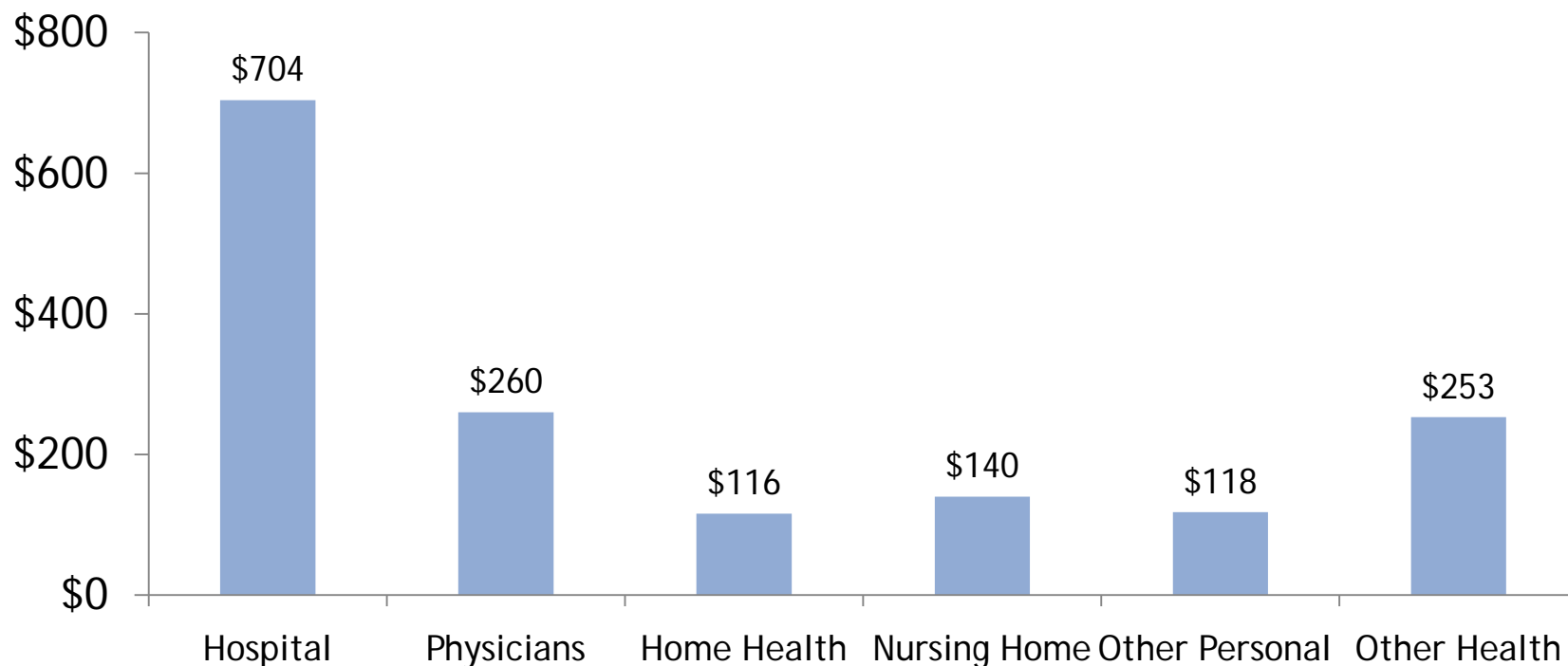
3.8 million people would be forced into poverty by 2021

Increase in the Number of People Living Below the Federal Poverty Level in 2021 Under the CAP Act (thousands)



Provider cuts are in the hundreds of billions

Reduction in Total Provider Revenues By Type of Provider: 2013-2021 (billions)



Source: Lewin Group estimates based on National Health Expenditure Projections from the Office of the Actuary of the Centers for Medicare and Medicaid Services. Other Personal includes primarily home and community-based services provided under Medicaid. Other Health includes other professional, dentists, prescription drugs, and durable medical equipment.