

### **How much does the federal government spend on health care?**

The federal government will spend more than \$980 billion in fiscal year 2015. In addition, tax expenditures for health care will total nearly \$260 billion.

### **FEDERAL SPENDING ON HEALTH CARE IN 2015**

The Congressional Budget Office and the Office of Management and Budget estimate that the federal government will spend more than \$980 billion on health care in fiscal year 2015 (see table 1). Of that, Medicare will claim roughly \$527 billion, Medicaid and the State Children's Health Insurance Program (SCHIP) about \$353 billion, veterans' medical care about \$61 billion, and subsidies for the Affordable Care Act's health insurance exchanges about \$41 billion. In addition to these direct outlays, various tax provisions for health care create tax expenditures that total nearly \$260 billion. About 60 percent of that figure comes from the exclusion from taxable income of employers' contributions for medical insurance premiums and medical care.

TABLE 1

## Estimated Federal Spending and Tax Expenditures for Health Care FY 2015



Program	Millions of dollars
<b>Spending</b>	
Spending for Medicare net of offsetting receipts	527,080
Medicaid and SCHIP	352,939
Veterans' medical care	61,000
Exchange subsidies and related spending	41,017
<b>Tax expenditures</b>	
Exclusion of employer contributions for medical insurance premiums and medical care <sup>a</sup>	150,600
Exclusion of Medicare benefits	64,300
Deductibility of medical expenses by individuals	11,000
Deductibility of medical insurance premiums for self-employed	5,600
Tax credit offsetting income tax for individual insurance purchased through health benefit exchanges <sup>b</sup>	5,400
Deductibility of charitable contributions to health organizations	5,100
Exclusion of workers' compensation medical benefits	4,900
Exclusion of medical care for military dependents and retirees	3,200
Exclusion of interest on hospital construction bonds	2,500
Health Savings Accounts	1,900
Tax credit for small businesses purchasing health insurance	1,500
Credit for orphan drug research	800

**Sources:** Congressional Budget Office, Updated Budget Projections: 2015 to 2025; Office of Management and Budget, Budget of the United States Government FY2016, Historical Tables; Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2014-18.

(a) Figure only includes lost income tax revenues. Including income and payroll taxes the exclusion reduces federal revenue by \$250 billion.

(b) The outlay portion is included in exchange subsidies and related spending.

## DATA SOURCES

Congressional Budget Office. 2015. "[Updated Budget Projections: 2015 to 2025.](#)" Report 49973. Washington, DC: Congressional Budget Office.

Joint Committee on Taxation. 2014. "[Estimates of Federal Tax Expenditures for Fiscal Years 2014–2018.](#)" JCX-97-14. Washington, DC: Joint Committee on Taxation.

Office of Management and Budget. *Budget of the United States Government FY2016.* "[Historical Tables.](#)" February 2015.