Economic & Fiscal Landscape
<table>
<thead>
<tr>
<th></th>
<th>Actual 2016</th>
<th>Estimated 2017</th>
<th>Forecast 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP Growth</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>+1.6%</td>
<td>+2.1%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>+2.1%</td>
<td>+2.4%</td>
</tr>
<tr>
<td>– Administration</td>
<td></td>
<td>+2.3%</td>
<td>+2.5%</td>
</tr>
<tr>
<td><strong>Inflation (CPI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>+2.1%</td>
<td>+2.3%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>+2.0%</td>
<td>+2.0%</td>
</tr>
<tr>
<td>– Administration</td>
<td></td>
<td>+2.6%</td>
<td>+2.3%</td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td>4.9%</td>
<td>4.4%</td>
<td>4.2%</td>
</tr>
<tr>
<td>– CBO</td>
<td></td>
<td>4.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>4.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>– Administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>10 Year Note</strong></td>
<td>1.8%</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>– CBO</td>
<td></td>
<td>2.4%</td>
<td>2.9%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>2.7%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Sources: Congressional Budget Office, June, 2017; Blue Chip Economics Forecasts, August 10, 2017; President’s FY 2018 Budget May 23, 2017
Note: GDP & CPS Percentage Change from Year to Year. Unemployment Rate and 10 year note calendar year average
Total Budget Surplus/Deficit
FY 1965-2025

Source: An Update the Budget and Economic Outlook: Fiscal Years 2017 to 2027. Congressional Budget Office; June 2017.
# Budget Outlook: FY 2012 – 2027
(In Billions of Dollars – % of GDP)

<table>
<thead>
<tr>
<th></th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017</th>
<th>2018</th>
<th>...2027</th>
<th>% Δ annual 2017-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts Current Law</td>
<td>2,450</td>
<td>2,774</td>
<td>3,021</td>
<td>3,250</td>
<td>3,267</td>
<td>3,315</td>
<td>3,531</td>
<td>5,158</td>
<td>+ 4.5%</td>
</tr>
<tr>
<td>Spending</td>
<td>3,537</td>
<td>3,455</td>
<td>3,506</td>
<td>3,688</td>
<td>3,853</td>
<td>4,008</td>
<td>4,094</td>
<td>6,621</td>
<td>+ 5.1%</td>
</tr>
<tr>
<td>Deficits % of GDP</td>
<td>1,087</td>
<td>680</td>
<td>485</td>
<td>438</td>
<td>585</td>
<td>693</td>
<td>563</td>
<td>1,463</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Public Debt % GDP</td>
<td>11,281</td>
<td>11,98372</td>
<td>12,780</td>
<td>13,117</td>
<td>14,168</td>
<td>14,656</td>
<td>15,537</td>
<td>25,524</td>
<td>+ 5.7%</td>
</tr>
<tr>
<td>Debt Subject Limit % GDP</td>
<td>11,281</td>
<td>11,98372</td>
<td>12,780</td>
<td>13,117</td>
<td>14,168</td>
<td>14,656</td>
<td>15,537</td>
<td>25,524</td>
<td>+ 5.7%</td>
</tr>
</tbody>
</table>

CBO estimate of nominal GDP growth increase 3.9% annually 2017-2027.

On March 16, 2017, the limit was raised to $19.8 billion. To avoid default, the Treasury began employing extraordinary measures. Estimates are that the Treasury will run out of cash in early to mid-October.
Public Debt: the Deferred Tax
Debt Held by the Public -- Exceeds 100% of Economy 2038

DEBT HELD BY THE PUBLIC RISING TO UNPRECEDENTED LEVELS

Percent of GDP


Source: Congressional Budget Office
Public Debt: the Deferred Tax
Debt Held by the Public -- Exceeds 100% of Economy 2038

Medicare (18%)

Medicaid (10%)

Social Security (25%)

Other Health Programs (2%)

Defense (12%)

Net Interest (12%)

Other Mandatory Spending (10%)

Domestic Discretionary (11%)

Agriculture (0.2%)

“Other Health Programs” includes: Health insurance subsidies, exchanges, and related spending; Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); Children’s Health Insurance Program, and other programs.

Source: The Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 2017 to 2027, June 2017.
Federal Spending as a Share of the Economy 1980 – 2050

![Graph showing federal spending as a share of the economy from 1980 to 2050.](image)

**SOURCE:** Congressional Budget Office, Historical Budget Data January 2015, and The 2015 Long-Term Budget Outlook, June 2015; and PGPF projections based on CBO data. Calculated by PGPF.

**NOTE:** Projections are from the extended baseline scenario. Major health programs include Medicare, Medicaid, Children’s Health Insurance Program (CHIP), and the health exchanges.
Growth in Net Interest
Average Annual Growth, 5-year periods (1975 – 2025)

% Growth

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Nominal Growth</th>
<th>Real Growth in 2005 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-80</td>
<td>17.7</td>
<td>9.4</td>
</tr>
<tr>
<td>1980-85</td>
<td>19.8</td>
<td>13.5</td>
</tr>
<tr>
<td>1985-90</td>
<td>13.5</td>
<td>4.1</td>
</tr>
<tr>
<td>1990-95</td>
<td>7.3</td>
<td>4.7</td>
</tr>
<tr>
<td>1995-00</td>
<td>7.3</td>
<td>2.1</td>
</tr>
<tr>
<td>2000-05</td>
<td>-0.8</td>
<td>-2.4</td>
</tr>
<tr>
<td>2005-10</td>
<td>-3.8</td>
<td>-3.8</td>
</tr>
<tr>
<td>2010-15</td>
<td>-6.0</td>
<td>-6.2</td>
</tr>
<tr>
<td>2015-20</td>
<td>2.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2020-2025</td>
<td>17.4</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td>9.1</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: “The Budget and Economic Outlook Fiscal Years 2016 to 2026: Congressional Budget Office, January 2016, plus historical data.”
Immediate & Longer-Term Challenge

Post Election
## Limits on Discretionary Budget Authority*

### FY 2014 to 2021 (Billions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense</td>
<td>$ 520.5</td>
<td>521.3</td>
<td>548.0</td>
<td>551.1</td>
<td>549.1</td>
<td>590.0</td>
<td>1.8%</td>
</tr>
<tr>
<td>Nondefense</td>
<td>$ 491.8</td>
<td>492.4</td>
<td>519.0</td>
<td>518.5</td>
<td>515.7</td>
<td>554.6</td>
<td>1.8%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,012.3</td>
<td>1,013.7</td>
<td>1,067.0</td>
<td>1,070.0</td>
<td>1,064.8</td>
<td>1,144.6</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

*The Budget Control Act of 2011 specified that if lawmakers did not enact legislation from the Joint Committee on Deficit Reduction that would reduce projected deficits by at least $1.2 trillion, automatic procedures would go into effect to reduce spending during the period 2013-2021. Those procedures are now in effect and are reflected in these numbers. Spending not constrained by these caps (e.g. overseas contingency operations, emergencies, disaster relief and certain program integrity initiatives are not included in these numbers.

Congressional Budget Office, An Update to the Budget and Economic Outlook: 2016 to 2026, August 2016.
Trust Funds Cannot Fully Fund Scheduled Benefits

Trust Fund Ratio (%)

OASI Exhaust 2035
DI Exhaust 2028
HI Exhaust 2028

Early Retirement Impact Today 44
Full Retirement Impact Today 49

Source: Social Security Trustees Report, 2017
Health Policy
Growth in national health expenditures (NHE) and gross domestic product (GDP), and NHE as a share of GDP, 1989–2015.
Factors accounting for growth in health expenditures (NHE) 2004–15
Year-to-Year Changes in Medicare Per Capita Spending by Program

### Mandatory Expenditures (Outlays by FY, Billions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2017</th>
<th>2027</th>
<th>Avg. Annual Growth 2017-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medicare</strong></td>
<td>634</td>
<td>701</td>
<td>1,390</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>Medicare Offsetting Receipts</strong></td>
<td>-94</td>
<td>-111</td>
<td>-231</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>Medicaid</strong></td>
<td>350</td>
<td>385</td>
<td>655</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Health Insurance Subsidies</strong></td>
<td>38</td>
<td>51</td>
<td>106</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>Children’s Health Insurance Program</strong></td>
<td>9</td>
<td>15</td>
<td>6</td>
<td>-8.7%</td>
</tr>
<tr>
<td><strong>Total Major Health Care</strong></td>
<td>937</td>
<td>1,041</td>
<td>1,926</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total Federal Mandatory Spending</strong></td>
<td>2,299</td>
<td>2,536</td>
<td>4,302</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Health Care as % Total Mandatory</strong></td>
<td>41%</td>
<td>41%</td>
<td>45%</td>
<td>---</td>
</tr>
</tbody>
</table>

GDP projected to increase 3.9% annually over the decade.

*Source: Congressional Budget Office. The Budget and Economic Outlook: 2017 to 2027; June 2017.*
Distribution of Personal Health Care Spending in US (Civilian Noninstitutionalized Population, 2014)

In 2014, the top 1% of health care spenders accounted for 22.8% of total health care spending and the top 5% of health care spenders accounted for 50.4% of total health care spending. Data are from the Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality.28

Distribution of Medicare Fee-for-Service Beneficiaries & Medicare Spending by Number of Chronic Conditions: 2015

- 36% of Beneficiaries
- 76% of Spending with 4 or more CCCs

Source: CMS 2015
Sources of Medicare Financing, 2015

Total Medicare Revenue: $644 Billion

- Payroll Taxes: 37%
- General Revenues: 42%
- Beneficiary Premiums: 13%
- Payments from States: 1%
- Taxation of Social Security Benefits: 1%
- Interest and Other: 2%

HI - Part A: $275 Billion
- Payroll Taxes: 88%
- General Revenues: 7%
- Beneficiary Premiums: 1%
- Payments from States: 1%
- Taxation of Social Security Benefits: 2%

SMI - Part B: $279 Billion
- Payroll Taxes: 73%
- General Revenues: 25%
- Beneficiary Premiums: 4%
- Payments from States: 2%
- Taxation of Social Security Benefits: 2%

SMI - Part D: $90 Billion
- Payroll Taxes: 76%
- General Revenues: 14%
- Beneficiary Premiums: 10%
Political Environment
Favorability of Affordable Care Act, April 2010 to August 2017
August 2017: Favorable 52% Unfavorable 39%

Source: The Henry J. Kaiser Family Foundation, August 2017
Illness as Indicator: Local health outcomes predict Trump swings
The Economist: November 19, 2016

Howard, Iowa
GOP Swing  +41.4
Health Index  33.1
GOP Vote  57.3%
Democrat Vote  36.8%

Adams, WI
GOP Swing  +30.4
Health Index  27.2
GOP Vote  58.9%
Democratic Vote  37.2%

Montgomery, MD
GOP Swing  -10.9
Health Index  66.7
GOP Vote  19.7%
Democratic Vote  74.5%

Loudon, VA
GOP Swing  -12.4
Health Index  66.8
GOP Vote  38.2%
Democratic Vote  55.1%

Orange, CA
GOP Swing  -12.1
Health Index  59.6
GOP Vote  44.3%
Democratic Vote  50.1%

Source: The Henry J. Kaiser Family Foundation, August 2017

www.bipartisanpolicy.org
Illness as Indicator: Local health outcomes predict Trump swings
The Economist: November 19, 2016

Source: The Henry J. Kaiser Family Foundation, August 2017

St. Louis, MO
GOP Swing  +17.9
Health Index  42.9
GOP Vote  39.7%
Democrat Vote  51.4%

Jackson, IL
GOP Swing  +11.2
Health Index  43.0
GOP Vote  44.1%
Democratic Vote  47.2%

Sangamon, IL
GOP Swing  +1.0
Health Index  38.1
GOP Vote  51.6%
Democratic Vote  42.2%

Cook, IL
GOP Swing  -3.7
Health Index  42.2
GOP Vote  21.0%
Democratic Vote  74.2%

Champaign, IL
GOP Swing  -11.1
Health Index  45.2
GOP Vote  36.5%
Democratic Vote  54.6%
Party Polarization 1829-2015

### 113th – 114th – 115th Congress & Races 2016, 2018

<table>
<thead>
<tr>
<th></th>
<th>Party Affiliation</th>
<th>113th Congress</th>
<th>114th Congress</th>
<th>115th Congress</th>
<th>Seats that were Up in 2016</th>
<th>Seats Up in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. SENATE</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Democrats + Ind.</td>
<td>54</td>
<td>46</td>
<td>48</td>
<td>10</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Republicans</td>
<td>45</td>
<td>54</td>
<td>52</td>
<td>24</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. HOUSE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democrats</td>
<td>201</td>
<td>188</td>
<td>188</td>
<td>194</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>Republicans</td>
<td>234</td>
<td>246</td>
<td>246 (1 Vacant)</td>
<td>241</td>
<td>241</td>
<td></td>
</tr>
</tbody>
</table>
“This country—this big, boisterous, brawling, inemperate, restless, striving, daring, beautiful, bountiful, brave, good and magnificent country—needs us to help it thrive. That responsibility is more important than any of our personal interests or political affiliations.

Stop listening to the bombastic loudmouths on the radio and television and the internet...Our incapacity is their livelihood.

There’s greater satisfaction in respecting our differences, but not letting them prevent agreements.

What have we to lose by trying to work together to find those solutions? We’re not getting much done apart...

—Sen. John McCain (R-AZ)