

# Impacts on Other Costs in the Economy 7

**T**o the extent that health care spending continues to consume an increasing portion of family and corporate income and government budgets, other areas of the economy are likely to suffer as they are squeezed out by health care (84). Some areas said to be suffering already are education, infrastructure, and corporate competitiveness. There is some controversy over whether there is a negative impact on international corporate competitiveness.<sup>1</sup>

According to Steuerle, “[b]udget data make obvious the possibility that expenditures on health may be helping to deter government action on almost every other domestic front. This reinforces the notion that health policy choices are seldom matters merely of health policy, but of budget, social, and tax policy, as well” (72).

Furthermore, according to the Congressional Budget Office, “[r]educing the size of the federal deficit by controlling Federal health spending could have a significant effect on the living standards of future generations by raising national saving, which would increase the nation’s investment in new capital equipment and structures and reduce its indebtedness to foreigners” (78). CBO estimated that by the year 2002, real capital investment would be 22 percent higher, real capital stock would be 5.6 percent higher, and the output of the economy (i.e., GDP) would be 2.2 percent higher, than the CBO baseline if Federal spending on health care (Medicare and Medicaid) were held to its 1991 share and there were no offsetting increases.

<sup>1</sup> Some argue that in order to compare U.S. businesses with those of other countries, total labor costs, which are lower in the United States than in its major industrialized competitors (e.g., Germany, Japan), but are higher than in many developing countries (e.g., Mexico, Korea), are the relevant denominator, not health care costs to employers alone, which are higher in the United States than in its major competitors (84).



USDA, Agricultural Research Service



OTA staff

Concerns have also been raised about the impact of health care reform on technological innovation in health care. While there is research on the interactive relationship between health care costs and technological innovation (95), analyses addressing the impact of the approaches to reform discussed in this report on technological

innovation were not available.<sup>2</sup>Therefore, no detailed discussion of this issue is presented here.

Specific quantitative estimates of the effects of the selected reform approaches on other costs in the economy, in general, were also not available for this report.

---

<sup>2</sup>Another OTA assessment entitled *International Differences in Health Care Technology and Costs* is underway. The goal of the assessment is to: 1) identify how differences in **organization**, dissemination and use of medical technologies among industrialized countries contribute to differences in costs; and 2) how differences in the structure of health **financing, payment**, and regulation among industrialized countries contribute to the different patterns of technology use among countries. In the process, the accuracy and comparability of the available data will be assessed. Project Director: **Hellen Gelband**, Senior Associate.