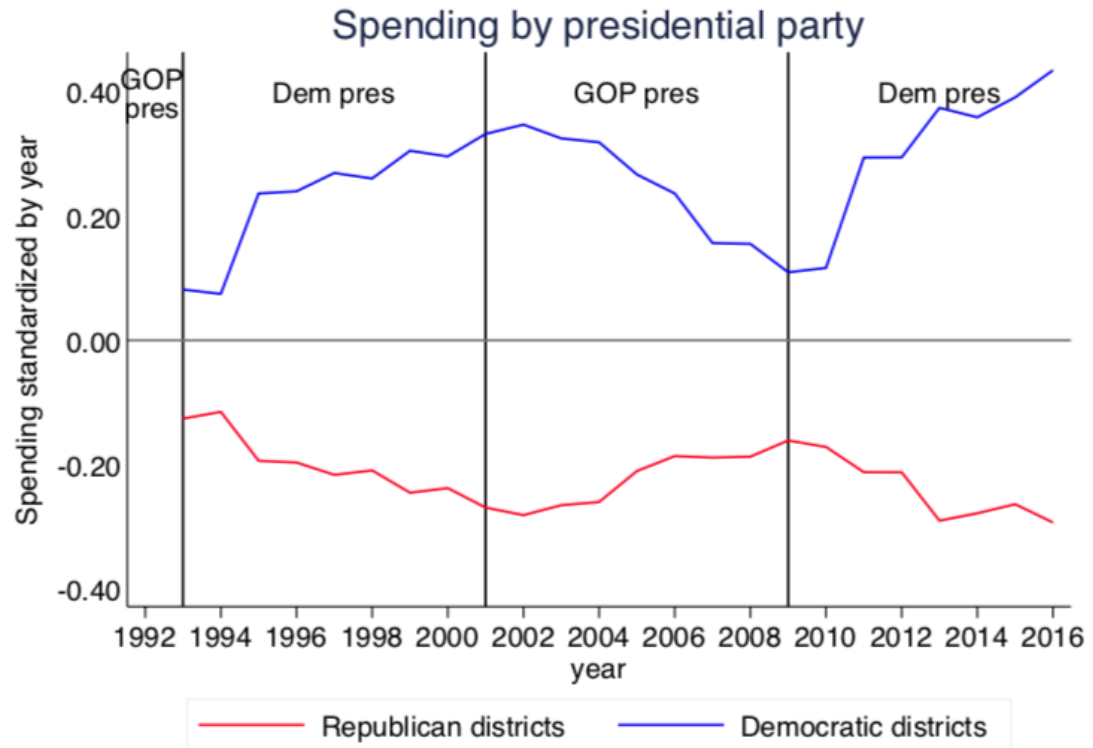

Politics and Health Care Spending in the United States

Zack Cooper, Yale University & NBER

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

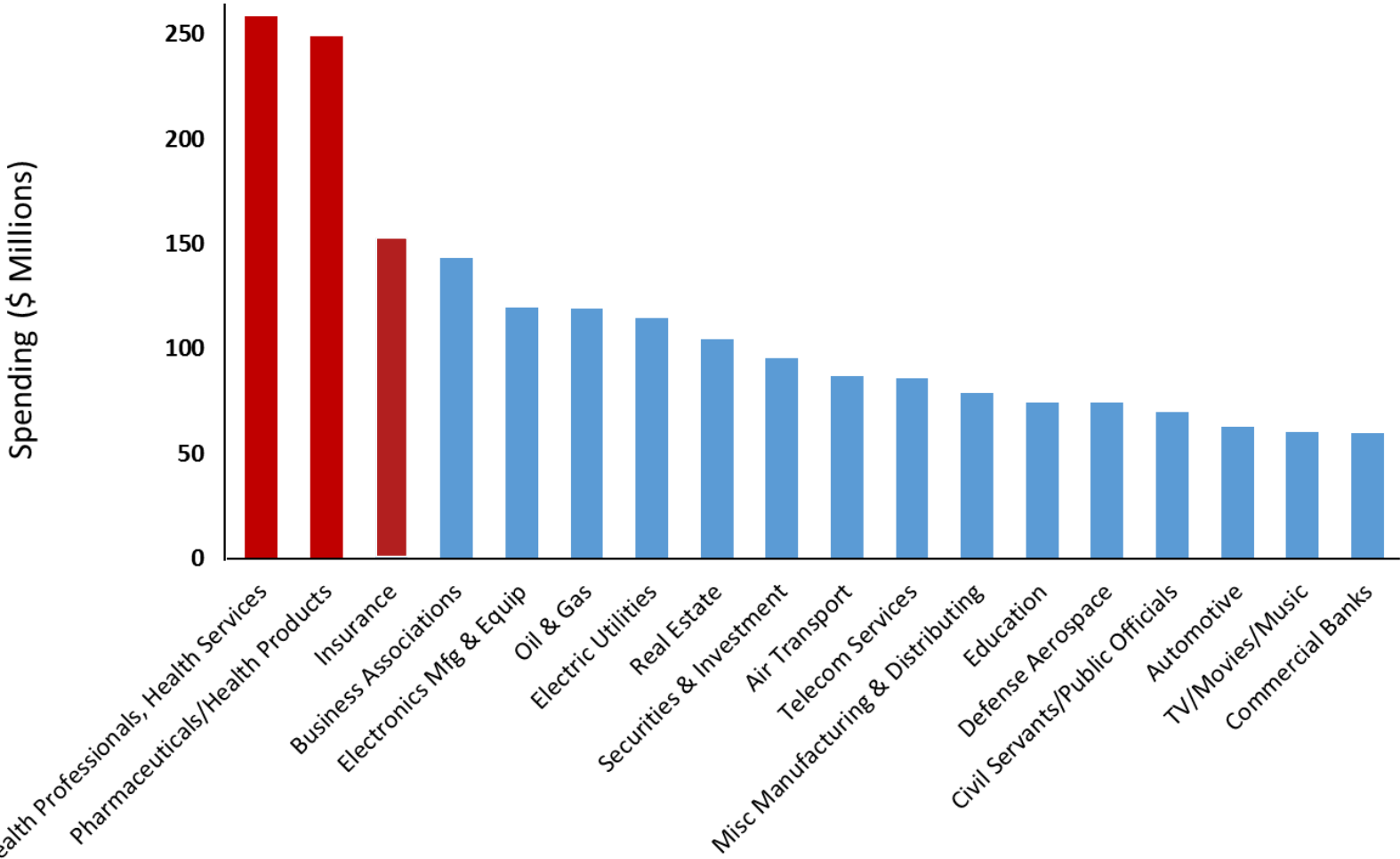
Spending by Party in Congress and WH



- 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

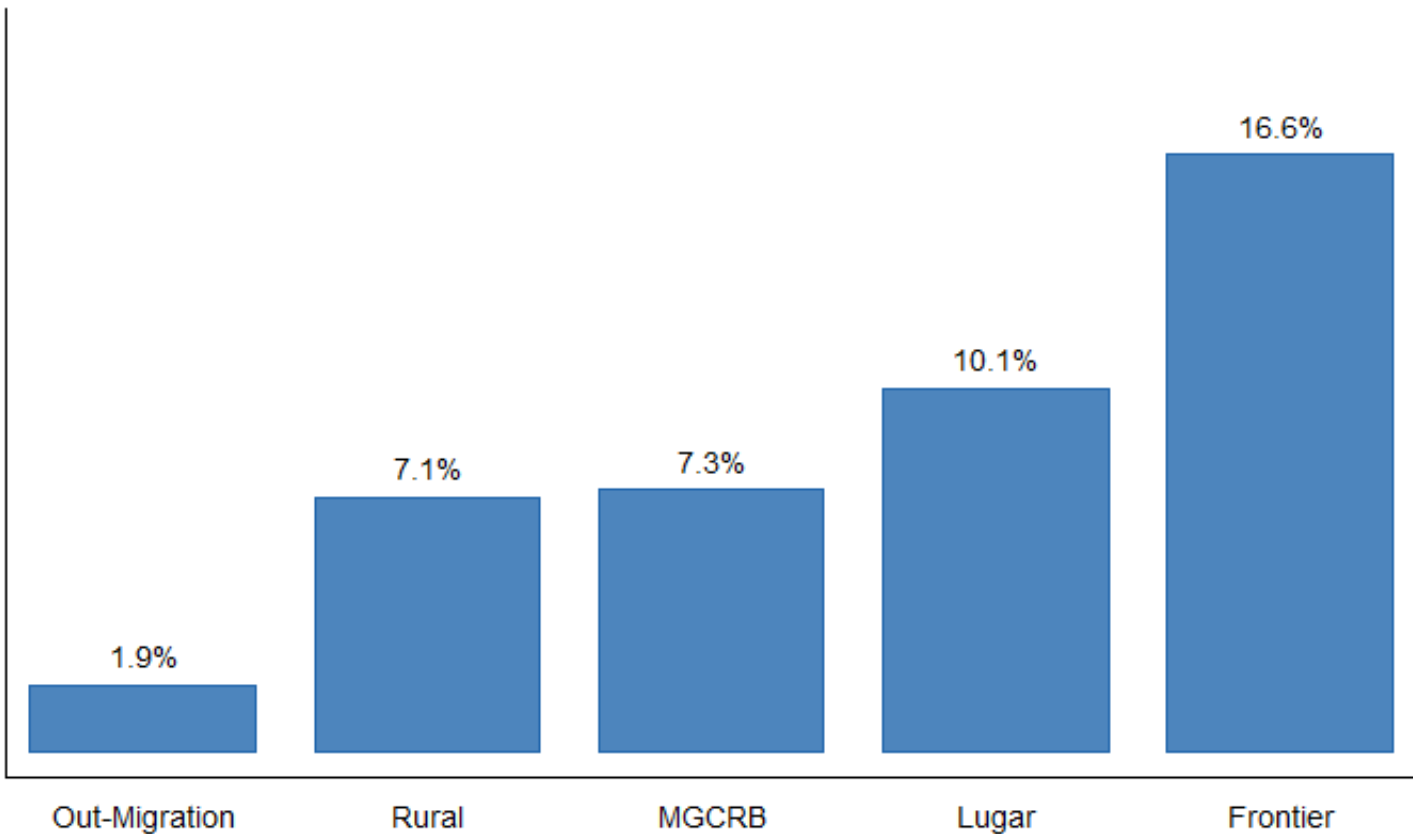


Source: opensecrets.org, 2017

Programs that Alter Medicare Payment Rates

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

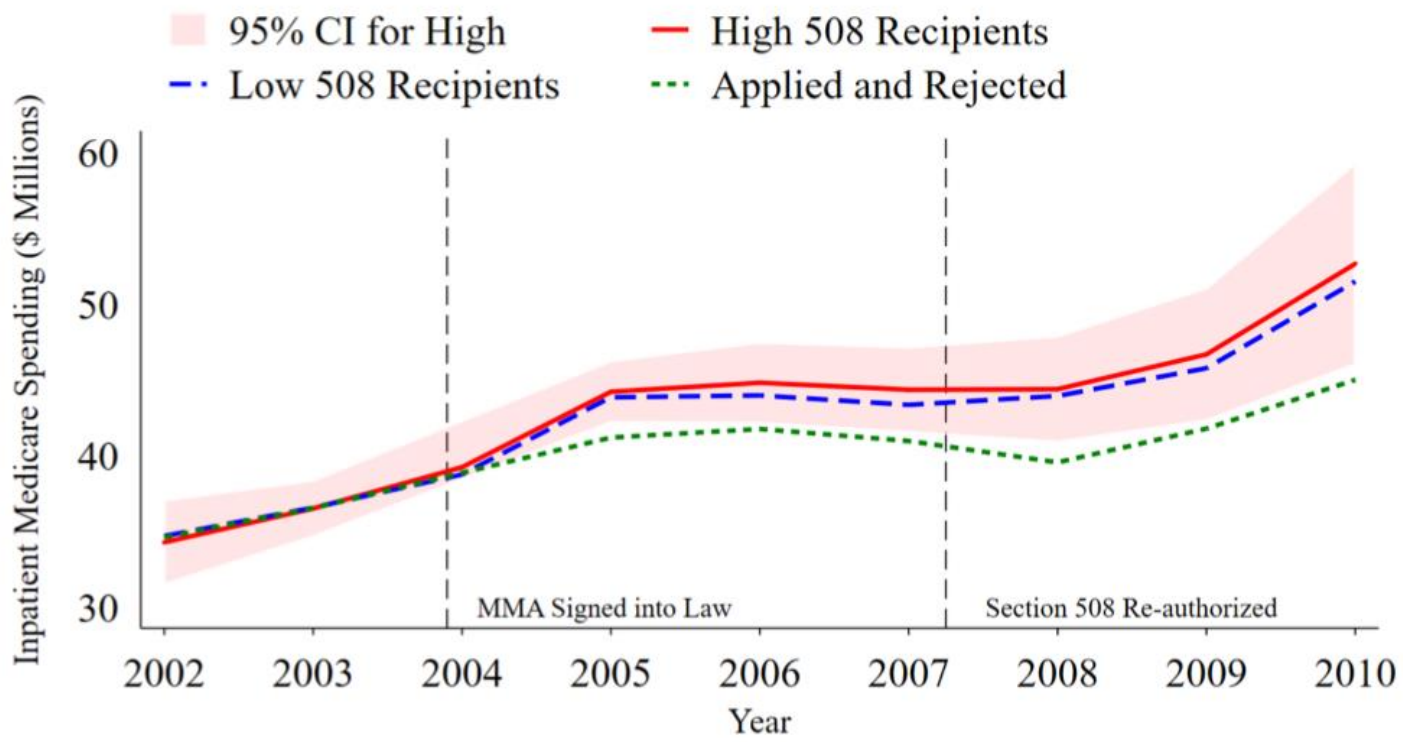
Average Percent Gain in the Wage Index as a Result of Reclassifications and Exceptions, by Type, FY 2012



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

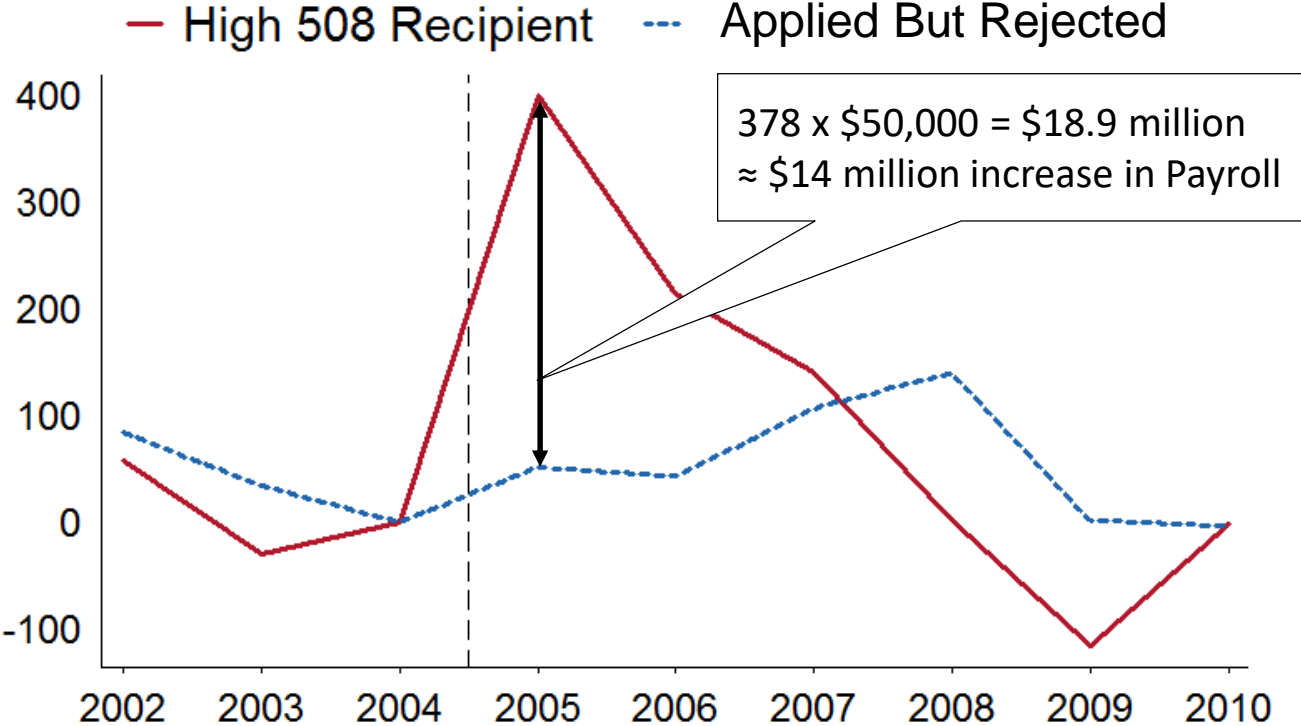
Section 508 Program

Inpatient Spending



Hospital Behavior: Increased Hiring and CEO Pay

(E) County Hires in Health Sector



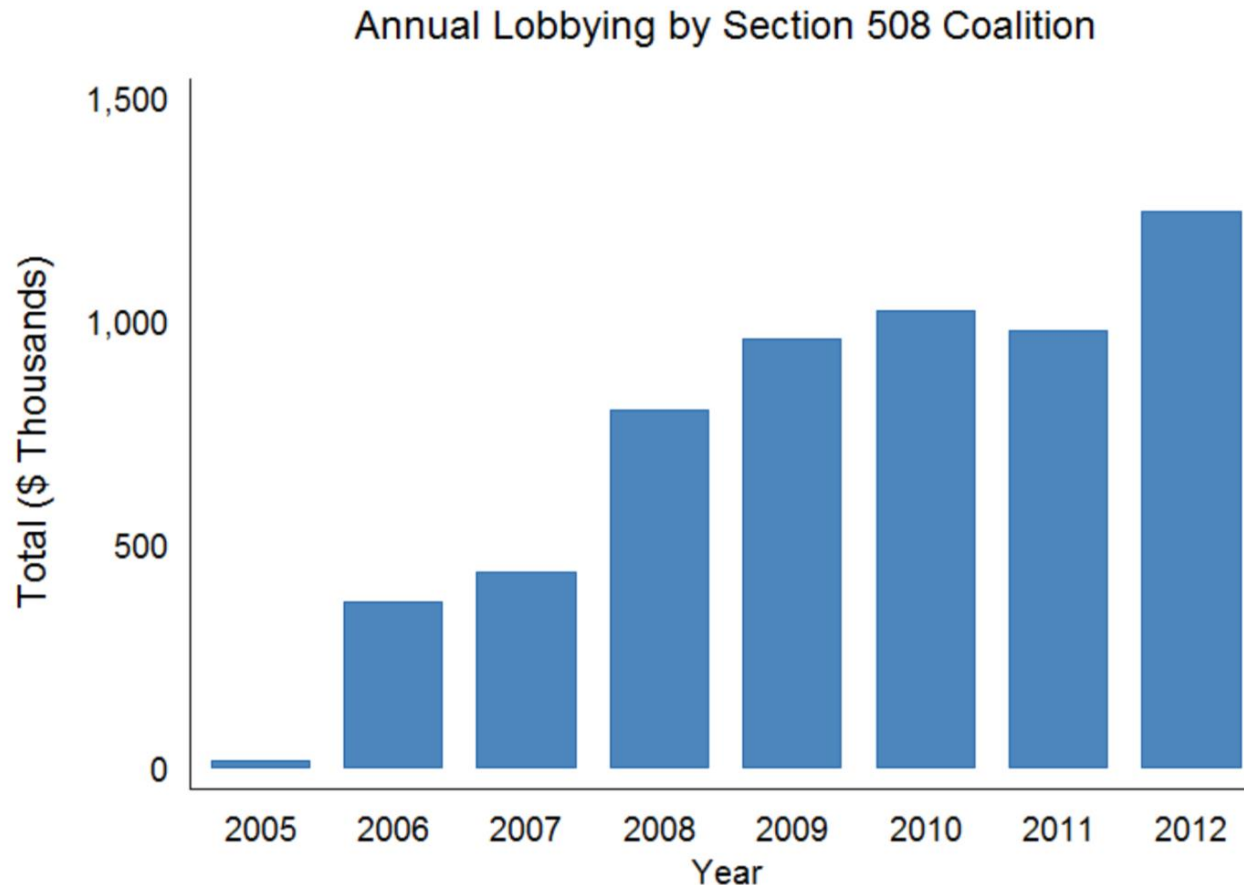
A 508 waiver led to an increase in health sector county hires of **378+** in 2005 and **20** per year from 2006-2010, on a base of 2,013 hires in 2004 for hospitals that would receive a waiver.

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

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

The 508 Hospitals Formed a PAC to Lobby Members of Congress

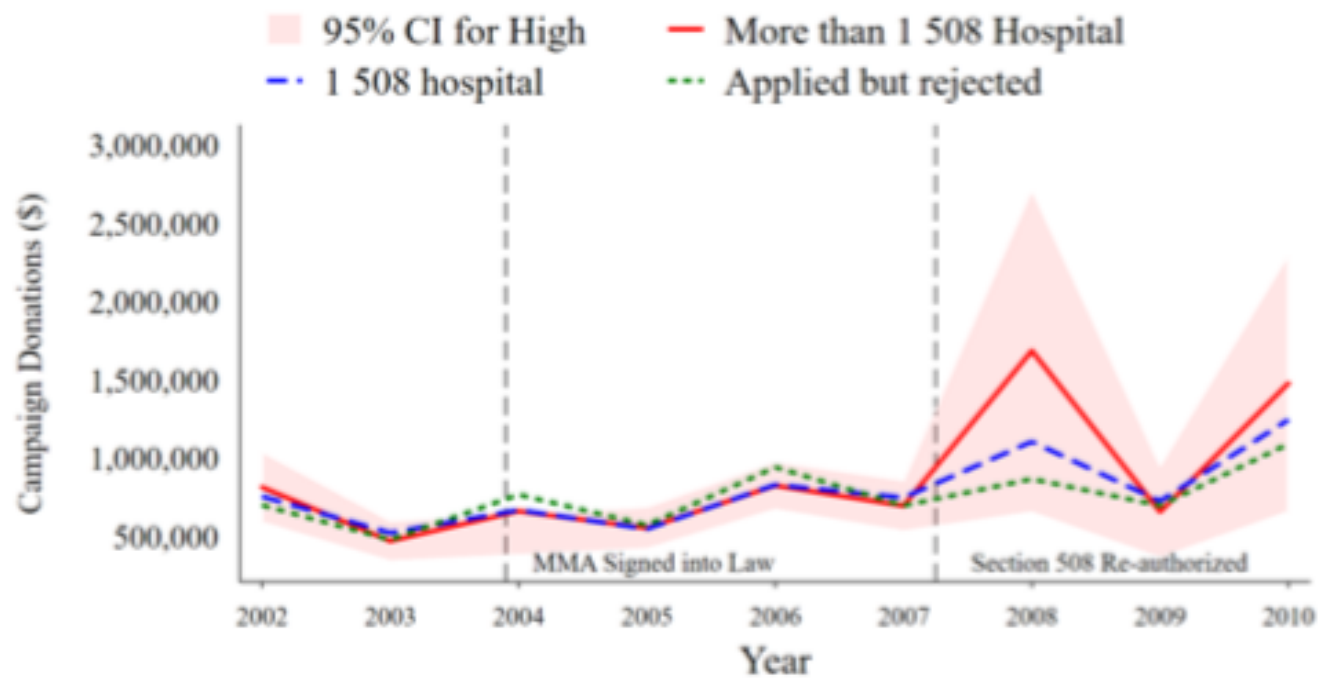
In 2005, the Section 508 Coalition (political action committee) was formed.



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 (\$)



Data Source: DIME.