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What is Entitlement Spending?

Entitlements are the biggest government programs in the US.

The biggest entitlement programs benefit seniors. In FY 2019 the Social Security program cost \$1,044 billion. In FY 2019 the Medicare health-care program cost \$651 billion.

Entitlement programs also benefit the poor. In FY 2019 the Medicaid health-care program for the poor was "guesstimated" to cost \$628 billion. All other welfare programs were "guesstimated" to cost \$467 billion.

Also check out

- Social Security
- OASDI Trustees Report
- Future Spending
- Medicare
- Medicare Trustees Report

US Entitlement Spending History

Entitlement spending by governments in the United States has grown from 0.4 percent GDP in 1900 to 19 percent of GDP in 2010.

Entitlement Spending and the Economy

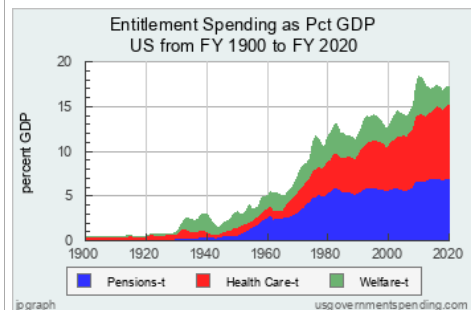


Chart 2.81: Entitlement Spending and Economy

War II in 1940.

In 1950, entitlement spending had reached 3.3 percent of GDP, mostly welfare, but by 1960 entitlement spending had reached 5 percent of GDP as Social Security spending started to ramp up.

In 1965 Congress passed Medicare, Medicaid and the Great Society programs, and entitlement

Entitlement Spending — considered as government pensions, healthcare and welfare — started out at the beginning of the 20th century at 0.4 percent of Gross Domestic Product (GDP). As you can see from Chart 2.81, entitlement spending was negligible until the Great Depression of the 1930s.

Chart Key: Welfare spending, Healthcare spending, Pension spending

In response to the Great Depression President Roosevelt and the New Deal cranked up welfare spending to 1.5 percent of GDP by the mid 1930s and over 2.0 percent on the eve of World

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In the 2010s welfare spending has contracted but health care spending has increased. In 2015 pension spending was 6.84 percent GDP, health care spending was 7.86 percent GDP, and welfare spending was 2.46 percent GDP.

Entitlement Spending's Share of Government Spending

Entitlement spending has increased from about five percent of all government spending in 1900 to 48 percent of all government spending, federal, state, and local, in 2015.

In the early 20th century entitlement spending represented about five percent of government spending: mostly health care spending. But the Great Depression changed all that. Starting in the early 1930s welfare spending expanded rapidly from two percent of total government to ten percent of total government by 1940, so that total entitlement spending reached 15 percent of total government.

Entitlement spending shrank as a proportion of government spending during World War II and resumed at about 15 percent of government after the war. But then entitlement spending began a steady increase, reaching 20 percent of government spending by 1970, principally due to the increase in Social Security spending.

From 1970 to 1980 entitlement spending exploded from 20 percent to 30 percent of government spending, but then shrank a little in the 1980s as Social Security and health care spending stabilized and welfare spending shrank.

Starting in 1990 entitlement spending began another surge, increasing from 33 percent of government to 41 percent by 1994 and health care spending increased from 10 percent to 15 percent of total government spending.

In the 2000s entitlement spending increased modestly, but increased sharply in the Great Recession, exceeding 46 percent of government spending in 2010. Entitlement spending amounts to 48.24 percent of all government spending in 2015.

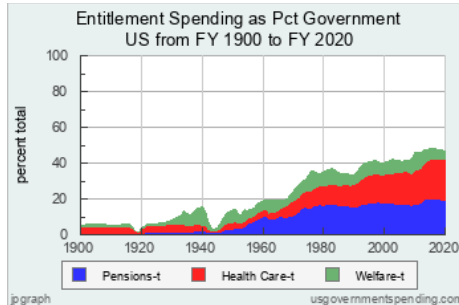


Chart 2.82: Entitlement Spending as pct of Gov't

Social Security

Social Security is the biggest government program in the United States.

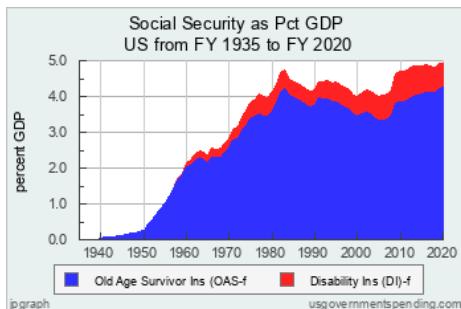


Chart 2.83: Social Security Outlays as pct GDP

Social Security was passed in 1935 during the run-up to the 1936 presidential election. Benefits for the Old Age and Survivor Insurance (OASI) program started in 1937, and reached one percent of GDP for the first time in 1955. Outlays thereafter increased rapidly, breaching 2 percent of GDP in 1960. Then OASI growth slowed, reaching 3 percent of GDP in 1973. Benefit growth resumed rapid growth in the 1970s, hitting a peak of 4.2 percent of GDP in 1983.

In the 1980s OASI benefits declined modestly to 3.9 percent of GDP by 1989, but then started a slow increase in the early 1990s, reaching 4.1 percent of GDP in 1991. But then OASI benefits declined slowly as a percent of GDP in the rest of the 1990s and the 2000s, bottoming at 3.3 percent GDP in 2006. In the Great Recession OASI benefits started to increase, hitting 4 percent of GDP in 2013. With the post-WWII generation retiring, OASI benefits have continued to increase, with 4.07 percent GDP in 2015 and 4.27 percent GDP budgeted for 2020.

In 1956 Congress passed the Disability Insurance (DI) program and benefits started in 1958. Benefits reached 0.5 percent of GDP in 1976. After peaking at 0.56 percent of GDP in 1977 DI benefits began a slow decline, bottoming out at 0.42 percent of GDP in 1990.

In the 1990s DI benefits slowly increased as a percent of GDP breaching 0.5 percent of GDP in 1993, 0.6 percent of GDP in 2002, and 0.7 percent of GDP in 2008. In the Great Recession DI benefits have increased, reaching 0.8 percent of GDP in 2009 and 0.865 percent of GDP in 2012. In the economic recovery since 2009 DI benefits have decreased modestly, to 0.81 percent GDP in 2015 and a budgeted 0.67 percent GDP in 2020.

Reckoned as a percent of federal spending, Social Security grew fastest in the 1950s, from 2

US GDP for 2019 Updated

On March 26, 2020, usgovernmentspending.com updated its GDP series with the latest data from the Bureau of Economic Analysis, under "Supplemental Information and Data" including nominal GDP for calendar 2019 of \$21.428 trillion and real GDP for calendar 2019 of \$19.073 trillion in 2012 dollars. Real GDP is now expressed in 2012 dollars. GDP for years going back to 2014 have been revised by BEA.

Usgovernmentspending.com uses the BEA GDP data series from 1929 to the present and measuringworth.com as its GDP source from 1790 to 1928.

Budget News

Historical Tables | The White House

Historical Tables for FY20 budget "will be published March 18, 2019"

Trump to Begin Releasing Fiscal 2020 Budget Plan on March 11

the proposal will be unveiled in two parts. The president's budget message, top priorities, and summary tables will come March 11.

Trump's 2020 budget delayed by shutdown

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Agency Debt Update for 2019

On March 12, 2020, usgovernmentspending.com updated its data for agency debt from the Federal Reser...

Federal Budget for FY21 Released

On February 10, 2020, we updated usgovernmentspending.com with the numbers from the historical table...

US, State Population Update for 2019

On December 30, 2019 the US Census Bureau released its US national and state population estimates ...

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reached 25 percent of federal spending but are budget to decline to 23.3 percent of federal spending in 2020.

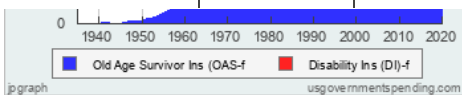


Chart 2.84: Social Security as pct Fed. Spending

Medicare

Medicare is the federal health care program for US seniors.

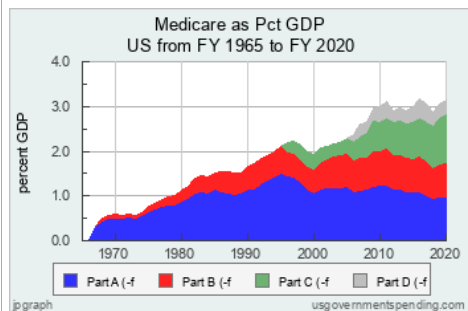


Chart 2.85: Net Medicare Outlays as Pct GDP

Medicare, the universal health program for older people in the United States, was passed in 1965. Initially the program included two parts, the Part A Hospital Insurance program and the Part B Supplementary Medical Insurance program. In 2003 Medicare was expanded in the Medicare Modernization Act to include Part C Medicare Advantage, and Part D SMI Drug program.

Chart Key:	
	- Part D SMI Drug
	- Part C Medicare Advantage
	- Part B Supp. Medical Ins.
	- Part A Hospital Insurance

Medicare Part A, the Hospital Insurance program, went from nothing to 0.5 percent of GDP in its first decade, reaching 0.5 percent of GDP in 1974. Part B, the Supplementary Medical Insurance program, only cost 0.1 percent of GDP in 1974. Part A doubled to 1.0

percent of GDP by 1982 while Part B quadrupled in size to 0.4 percent of GDP by 1985.

In the early 1990s Medicare Part A Hospital Insurance spending expanded briskly, from 1 percent GDP to 1.5 percent GDP in the mid 1990s, while Part B Supplementary Medical Insurance increased from 0.4 to 0.6 percent GDP.

Starting in the mid-1990s we start showing spending for "Part C" Medicare. Although Part C, the Medicare Advantage program, did not start until 2006, following the Medicare Modernization Act of 2003, Medicare started paying capitation fees to private health plans with the Balanced Budget Act of 1997, so we have represented that spending as Part C Medicare *avant la lettre*. The Part C spending data is not broken out in the federal budget so we have inferred it from Table IV-C2 – Medicare Payments to Private Health Plans in the annual Medicare Trustees Report and we have netted Part C out of Part A and Part B benefits.

From the mid 1990s **Medicare Part A** Hospital Insurance spending (net of Part C spending) declined, from 1.5 percent GDP in 1995 to 1 percent GDP in 2000, and remained at 1 to 1.2 percent GDP through the 2000s. In the 2010s Medicare Part A has declined, to 1.06 percent GDP in 2015 and a budgeted 0.92 percent GDP in 2020.

In the 1990s **Medicare Part B** Supplementary Medical Insurance (net of Part C) also declined, from 0.6 percent GDP to 0.45 percent GDP before recovering to 0.73 percent GDP in 2003. By 2011 Part B had hit 0.83 percent GDP. It declined slightly to 0.76 percent GDP in 2015 but is budgeted at 0.73 percent GDP in 2020.

Medicare has always made capitation payments to managed care organizations; in the period shown from 1996 to 2005 these payments stood at about 0.3 percent GDP. When **Part C Medicare Advantage** began formally in 2006 with the passage of the Medicare Modernization Act, spending for managed care rose sharply. Indeed all the growth in basic Medicare shows up in Part C spending, hitting 0.4 percent GDP in its first year 2006, and rising to 0.7 percent GDP by 2011. Part C increased to 0.76 percent GDP in 2015 and is budgeted to hit 1.04 percent GDP in 2020.

Medicare Part D, the SMI Drug Plan, was passed by Congress in the Medicare Modernization Act of 2003 and took effect in 2006 costing 0.2 percent GDP in that year. Subsequently the Medicare Drug spending hit 0.3 percent GDP in 2009 and 0.37 percent GDP in 2011. After a brief decline Part D spending increased to 0.35 percent GDP in 2015 and in budgeted to be 0.39 percent GDP in 2020.

"Gross" vs. "Net" Medicare

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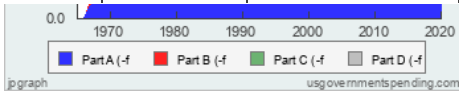


Chart 2.86: Gross Medicare Outlays as pct GDP

net amount at 3.16 percent GDP. The difference between "net" and "gross" mainly applies to Medicare Parts B, C, and D. Part A is financed almost entirely by the payroll Hospital Insurance tax on workers.

Medicaid

Medicaid is the joint federal/state health care program for the poor.

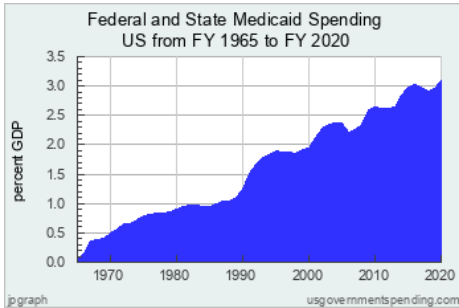


Chart 2.87: Net Medicaid Spending as Pct GDP

Medicaid, the joint federal-state health program for poor people in the United States, was passed in 1965, and benefits began in 1966, rising to about one percent of GDP in the early 1980s.

Medicaid took a big bump between the late 1980s and the mid 1990s, increasing from 1.1 percent of GDP in 1989 to 1.9 percent GDP in 1995.

Since the mid 1990s Medicaid has increased in jumps in the aftermath of recessions. Medicaid went from 2.6 percent of GDP to 3.0 percent of GDP in the mid 2010s after passage of the Patient Protection and Affordable Care Act of 2010.

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