



Highlights of [GAO-08-411T](#), a testimony before the Committee on the Budget, U.S. Senate

### Why GAO Did This Study

GAO has for many years warned that our nation is on an imprudent and unsustainable fiscal path.

During the past 3 years, the Comptroller General has traveled to 25 states as part of the Fiscal Wake-Up Tour. Members of this diverse group of policy experts agree that finding solutions to the nation's long-term fiscal challenge will require bipartisan cooperation, a willingness to discuss all options, and the courage to make tough choices.

At the request of Chairman Conrad and Senator Gregg, the Comptroller General discussed the long-term fiscal outlook, our nation's huge health care challenge, and the shrinking window of opportunity for action.

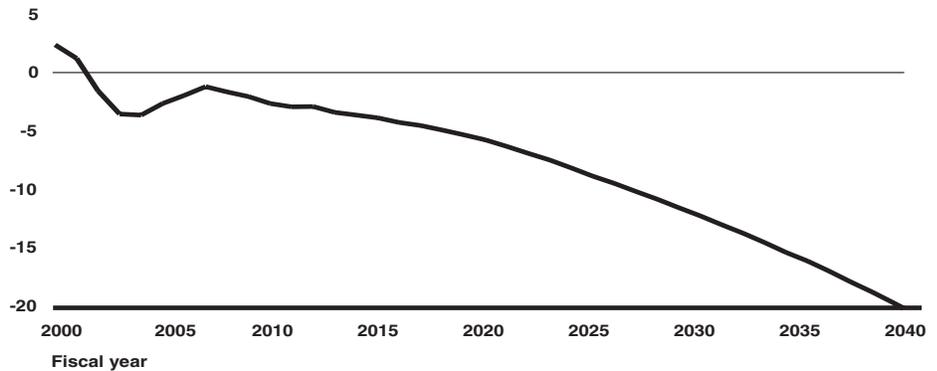
## LONG-TERM FISCAL OUTLOOK

### Action Is Needed to Avoid the Possibility of a Serious Economic Disruption in the Future

#### What GAO Found

As we enter 2008, what we call the long-term fiscal challenge is not in the distant future. Already the first members of the baby boom generation have filed for early Social Security retirement benefits—and will be eligible for Medicare in only 3 years. Simulations by GAO, the Congressional Budget Office (CBO), and others all show that despite a 3-year decline in the budget deficit, we still face large and growing structural deficits driven primarily by rising health care costs and known demographic trends. Under any plausible scenario, the federal budget is on an imprudent and unsustainable path.

**Federal Surpluses and Deficits Under GAO's Alternative Simulation**  
Percent of GDP



Source: GAO's August 2007 analysis.

Rapidly rising health care costs are not simply a federal budget problem; they are our nation's number one fiscal challenge. Growth in health-related spending is the primary driver of the fiscal challenges facing the state and local governments. Unsustainable growth in health care spending is a systemwide challenge that also threatens to erode the ability of employers to provide coverage to their workers and undercut our ability to compete in a global marketplace. Addressing the unsustainability of health care costs is a societal challenge that calls for us as a nation to fundamentally rethink how we define, deliver, and finance health care in both the public and the private sectors.

The passage of time has only worsened the situation: the size of the challenge has grown and the time to address it has shrunk. The longer we wait the more painful and difficult the choices will become, and the greater the risk of a very serious economic disruption.

It is understandable that the Congress and the administration are focused on the need for a short-term fiscal stimulus. However, our long-term challenge increases the importance of careful design of any stimulus package—it should be timely, targeted, and temporary. At the same time, creating a capable and credible commission to make recommendations to the next Congress and the next president for action on our longer-range and looming fiscal imbalance is called for.

To view the full product, including the scope and methodology, click on [GAO-08-411T](#). For more information, contact Susan J. Irving at (202) 512-9142 or [irvings@gao.gov](mailto:irvings@gao.gov).