Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

THE NATIONAL MEDICAL EXPENDITURE SURVEY

FEBRUARY 1993

OFFICE OF INSPECTOR GENERAL

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To obtain a copy of this report, call the New York regional office at (212) 264-1998.

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

THE NATIONAL MEDICAL EXPENDITURE SURVEY

FEBRUARY 1993 OEI-02-92-00350

EXECUTIVE SUMMARY

PURPOSE

To gauge the responsiveness of the National Medical Expenditure Survey (NMES) to the needs of Federal officials engaged in health care program, budget and legislative activities.

BACKGROUND

The NMES is a major data collection and research program undertaken approximately every 10 years. It provides data on health care utilization, costs, sources of payment and insurance coverage of the Nation's population. As of October 1992, versions of 16 public use tapes containing data from the 1987 NMES-2 survey are available to all public and private sector users. Another will be available in November 1992, with more planned for release over the next several years.

The NMES-3 began in Fiscal Year (FY) 1991 with methodological studies that will be conducted through FY 1994. The survey itself will be conducted during FYs 1996 and 1997. Estimated final costs will be around $80 million, depending on the extent to which historical costs, methodological studies, follow-up analyses, and staff costs are included. These amounts will be reexamined in the FY 1994 budget process.

As part of the NMES-3 planning process, the Agency for Health Care Policy and Research (AHCPR), in the Public Health Service (PHS), organized an intradepartmental work group, called the NMES Work Group, to assess departmental user needs. In addition, several work groups in HHS are studying various health care utilization and expenditure surveys being conducted. The largest group is the Data Planning and Analysis Group.

This inspection was requested by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the Department of Health and Human Services (HHS).

SCOPE AND METHODOLOGY

We analyzed descriptions, prepared at our request, of AHCPR procedures for assessing Federal user data needs and priorities for responding to user requests for NMES-2 data. We interviewed 25 NMES-2 users from HHS and other Federal agencies and Congressional organizations, either in person or by phone. We also obtained documents regarding the structure and operation of the NMES Work Group.

FINDINGS

RESPONDENTS ARE GENERALLY SATISFIED WITH NMES PRODUCTS AND AHCPR SERVICES

- AHCPR has established priorities for serving Federal users
- Responses to data requests are timely
- All respondents consider data useful
- Respondents rate AHCPR staff helpful

NEVERTHELESS, SOME DATA CONCERNS AND PROCESS PROBLEMS EXIST

- Lack of currency of NMES-2 data and lack of institutional expenditure information are viewed as impediments
- Questions are raised about the NMES Work Group's mission and membership
- The budget process appears inadequate, requiring greater structure
- Strategic planning process appears fragmented and in need of improvement

RECOMMENDATIONS

The PHS should take steps to clarify for all members the purpose of the NMES Work Group and the role members are expected to play.

The ASPE and the Assistant Secretary for Management and Budget (ASMB) should undertake a strategic review of medical expenditure data sources.

The PHS, ASPE, and ASMB should reach agreement on information needed by the Office of the Secretary to effectively analyze current and upcoming NMES budget requests.

The PHS should identify innovations to speed up the release of NMES data as soon as is technically feasible.

AGENCY COMMENTS

The Assistant Secretaries for Health and Management and Budget provided written comments on the draft of this report. The Public Health Service (PHS) supports the findings and recommendations and made several technical comments; the report reflects related changes where appropriate. The Assistant Secretary for Management and Budget (ASMB) proposed deleting the recommendation that ASMB and ASPE undertake a joint strategic review of medical expenditure data sources.

The ASMB notes that the interdepartmental Data Planning and Analysis Work Group (DPAWG) "already has activities underway which address the report's recommendation." We acknowledge DPAWG's role in the report and recognize that DPAWG has recently made plans to accomplish some of what we recommend. However, since these plans are not yet developed in detail, we are retaining this recommendation at this time.

With regard to ASMB's request for the Office of Inspector General to commit to a "review/assessment of the DPAWG's efforts in approximately a year," we will consider this suggestion in our upcoming workplanning process.

The Assistant Secretary for Planning and Evaluation did not comment in writing, but verbally concurred with our findings and recommendations. The complete comments of PHS and ASMB are included verbatim in Appendix B.

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INTRODUCTION

PURPOSE

To gauge the responsiveness of the National Medical Expenditure Survey (NMES) to the needs of Federal officials engaged in health care program, budget and legislative activities.

BACKGROUND

The NMES is a major data collection and research program undertaken approximately every 10 years. It provides data on health care utilization, costs, sources of payment and insurance coverage of the nation's population. Within the Department of Health and Human Services (HHS), the NMES is the responsibility of the Agency for Health Care Policy and Research (AHCPR) in the Public Health Service (PHS), through its Center for General Health Services Intramural Research.

Historical development of the NMES

The first survey, which covered calendar year 1977, was called the National Medical Care and Expenditure Survey (NMCES, also known as NMES-1). Two agencies jointly managed it. They were the National Center for Health Services Research (AHCPR's predecessor agency) and the National Center for Health Statistics (NCHS), which is part of the Centers for Disease Control.

For NMES-1, members of a sample of households were interviewed six times in 1977-78 to obtain personal and family health care use and expenditure data. Data affecting a broad range of issues were collected, including the number and characteristics of the uninsured and the differences among socioeconomic and demographic groups with respect to the use of health services.

Description of the NMES-2 survey

The NCHSR managed the conduct of the NMES for 1987, known as NMES-2. It was expanded over NMES-1, based on the recommendations of the Health Care Financing Administration (HCFA), the Assistant Secretary for Planning and Evaluation (ASPE), and the Indian Health Service (IHS). In addition to the household survey, a separate Survey of American Indians and Alaska Natives (SAIAN) and an Institutional Population Component (IPC) were performed.

The household survey used a national probability sample of approximately 14,000 households and 35,000 persons from the civilian, non-institutionalized population. Populations of special interest to Federal policy makers, including blacks, Hispanics,

the elderly and the functionally impaired, were oversampled. Each family was interviewed four times over 16 months. The data collected include household composition, employment and insurance. Also, for each family member, they contain information on illnesses, use of health services, and health expenditures for the entire year 1987.

Information gathered from the medical providers, employers and insurers of the persons in the household sample supplemented these data.

The SAIAN was similar in design to the household survey. It collected data which can be used to compare the American Indian and Alaska Native population with the general U.S. population in areas such as health status, use of health services and access to care.

The IPC collected information on 11,000 residents and new admissions to nursing homes, personal care homes and homes for the mentally retarded. It obtained data on expenditures and characteristics of facilities as well as sources of payment for residents. The IPC included next-of-kin and obtained data from the respondent's family or friends on the personal history, financial status and insurance coverage of the institutionalized person.

Field work for the NMES-2 surveys was conducted by Westat, Inc., Rockville, MD, as the primary AHCPR contractor and by the National Opinion Research Center, University of Chicago. Additional work was performed by the Council of Energy Resource Tribes, Denver, CO and by Stephen R. Braund and Associates, Anchorage, AK., Social and Scientific Systems, Inc., Bethesda, MD, has been providing data processing services during the analysis stage.

Availability of NMES-2 data

Copies of NMES-2 preliminary data tapes have been made available to Federal agencies on an on-call basis whenever data processing has advanced to the point that it is feasible to produce them; final public use tapes have also been made available to them and the general public since the fall of 1987. As of October 9, 1992, versions of 16 public use tapes are available to all public and private sector users. Another one will be available in early November 1992, and more are planned for release over the next several years. The AHCPR has also provided special analyses and special research data tapes upon requests from Federal agencies. In its technical assistance role, AHCPR has provided training and guidance to all users and prospective users of NMES-2 data. This has included conducting seminars around the country. In addition, AHCPR staff authored journal articles, research papers, Research Findings, Data Summaries and Methods reports based on NMES-2 data.

The development of the NMES-3 survey

The NMES-3 began in Fiscal Year (FY) 1991 with methodological studies that will be conducted through FY 1994. The survey itself will be conducted during FYs 1996 and 1997. Estimated final costs will be around $80 million, depending on the extent to which historical costs, methodological studies, follow-up analyses, and staff costs are included. This estimate will be reexamined in the FY 1994 budget process. Contractors will be selected to perform functions similar to those for NMES-2.

As part of the NMES-3 planning process, AHCPR organized an intradepartmental work group, called the NMES Work Group, to assess departmental user needs related to NMES-3. A similar group had been formed in the mid-1980's for NMES-2. This group first met at the invitation of AHCPR in May 1992 and again in June to discuss, among other issues, the purpose of the group, its agenda, members' roles, and members' opportunities to translate their agencies' data needs into the NMES-3 design. There are nine members of the NMES Work Group from HHS agencies outside AHCPR, including representatives from ASPE, the Substance Abuse and Mental Health Services Administration (SAMHSA), the Office of the Assistant Secretary for Health (OASH), HCFA, the National Center for Health Statistics (NCHS), and IHS.

Strategic planning for health care utilization and expenditure surveys

Currently, several work groups in HHS are studying various health care utilization and expenditure surveys being conducted within the department. The largest group is the Data Planning and Analysis Group (DPAWG), established in 1990. It addresses concerns about major gaps in HHS data systems, potential duplication and barriers to sharing of information across the department. The DPAWG has members from ASPE, HCFA, OASH, SAMHSA, NCHS, the Assistant Secretary for Management and Budget (ASMB), the Social Security Administration (SSA) and AHCPR. Several members of this group are also members of the NMES Work Group.

DPAWG has begun the preparation of a strategic plan for the department (outlined in a statement of purpose dated March 1992) which calls for:

> identifying current and future data requirements; evaluating whether and how well current data systems meet these requirements, including examination of existing data sharing and access policies; and making recommendations for changes that ensure departmental data systems are of maximum Department-wide utility. Priorities shall be established for meeting departmental needs which are consistent with current resource availability.

This inspection was requested by ASPE.

SCOPE AND METHODOLOGY

We analyzed descriptions, prepared at our request, of AHCPR procedures for assessing Federal user data needs and priorities for responding to user requests for NMES-2 data.

We interviewed 25 NMES-2 users from HHS and other Federal agencies and Congressional organizations, either in person or by phone, to gather views and other information on their experiences with NMES-2, their experiences in dealing with AHCPR and their thoughts about NMES-3. Within HHS, we talked to representatives from ASPE, HCFA, NCHS, IHS and ASMB. Outside of HHS, we talked to contacts within the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), the Joint Congressional Committee on Taxation, the Congressional Research Service, the Department of the Treasury and the Department of Labor.

To select our initial pool of respondents, we conducted preliminary interviews with persons identified by ASPE and AHCPR as those in Federal agencies having some experience with the NMES. We talked to those individuals and, through them, identified others, in and outside the Federal government, with similar experiences - 52 altogether. Of the 52, we chose the final sample of 25 individuals who have had extensive hands-on experience working with preliminary data files, special analyses, and public use tapes provided by AHCPR and who interact with AHCPR staff in the process. These study respondents work for HCFA, ASPE, OMB, IHS and CBO. These agencies sometimes also use contractors to work with the data files. The agencies rely on these respondents to request, receive, and utilize all kinds of NMES data in the development of health care policy, budgetary and/or legislative initiatives.

We did not include in the study occasional requesters and users of the data from other Federal agencies and commissions and Congressional committees. Only some of these users utilize NMES data in the development of health care policy, budgetary and legislative initiatives.

We also obtained documents regarding the structure and operation of the NMES Work Group and interviewed nine of its members. We interviewed these nine members after the group's second meeting. Most of these respondents were also interviewed as users of NMES-2 data.

We also interviewed a small number of senior Departmental officials regarding the use of NMES data in policy deliberations and about Departmental data and statistical planning.

FINDINGS

RESPONDENTS ARE GENERALLY SATISFIED WITH NMES PRODUCTS AND AHCPR SERVICES

AHCPR has established priorities for serving Federal users

In setting priorities, AHCPR reported to us that it tries to respond to all requests for information. However:

> ... when there are conflicts with respect to the availability of programming support, staff time, or funds, users are accommodated in the following order of priority (highest to lowest): Executive Branch, Legislative Branch, State and Local Government, private research organizations, and individuals.
>
> ... In general, research projects are the first displaced by a priority request. Public use tapes development is next. Congressional responses are last to be displaced by a DHHS or an OMB request.

Because of concerns about timeliness problems experienced with the release of NMES-1 data, AHCPR has developed a system for releasing preliminary data to Federal users from NMES-2 before public use tapes are available. The preliminary data tapes are provided by AHCPR with warnings about reliability, since weights may not have been developed and the data may have not been fully "cleaned." As noted below, AHCPR has responded to 168 requests for NMES-2 data from our 25 Federal respondents. Of these, 118 consisted of preliminary data, including early versions of public use tapes, special analyses and tabulations. The other fifty responses were for public use tapes.

Responses to data requests are timely

Respondents confirm receiving a total of 168 responses from AHCPR. These users report receiving 160 (95 percent) of 168 responses soon enough to make good use of them. In only eight instances were data reportedly not received soon enough. In six of them, respondents did not feel it was so important to have obtained the data sooner. Of the remaining two, one respondent considered it critically important and another rated it quite important to have received the data sooner. (See Appendix)

All respondents consider data useful

All respondents rate the data received very (87 percent) or somewhat (13 percent) useful in meeting their needs. Using the data, some calculated health insurance rates and cost estimates for OMB; others analyzed expenditures by age groups and

APPENDIX A

RESPONDENTS BY AGENCY AND NUMBER OF DATA REQUESTS: DATA RECEIVED IN TIME TO BE USEFUL

Agency	No. Respondents	# Data Requests	In Time For Use: #	
A	1	30	Yes	30
B	5	28	Yes No	27 1
C	3	17	Yes	17
D	1	21	Yes No	20 1
E	1	9	Yes	9
F	1	2	Yes	2
G	1	4	Yes	4
H	4	26	Yes	26
I	2	15	Yes	15
J	1	8	Yes No	5 3
K	1	3	No	3
L	2	0	Yes	0
M	1	4	Yes	4
N	1	1	Yes	1
TOTALS:	**25**	**168**	**Yes** **No**	**160** **8**

estimated the cost of tax credits for the Administration. Some employed the data in developing other health policy models. Most report that NMES-2 data are used to verify and increase the confidence level of estimates they make. A third of the respondents consider NMES-2 the only source of data to meet their particular needs.

Many of the 25 respondents used NMES-2 data in more than one of the following functions: policy (18), budget (13) and legislative (6). In responding to how necessary NMES data are in fulfilling each of these 37 roles, the respondents reported that the data are very (27) or somewhat (8) necessary.

According to respondents, the debate over health care reform will continue into the next Administration and will intensify. They believe that pressure will build for new NMES data to apply to proposed models for the end of the decade and into the next century. Respondents from HCFA expect to use NMES-3 to help gauge the impact of major health care delivery and policy changes of the late 1980's and early 1990's, such as managed care and Physician Payment Reform, which are beyond the scope of NMES-2.

Respondents rate AHCPR staff helpful

Of 21 respondents who rated AHCPR staff's helpfulness in providing timely access to NMES-2 data, 19 rate the staff either very helpful (17) or somewhat helpful (2). Two respondents said the help was mixed over time.

Similarly, of 22 respondents who rated AHCPR staff's helpfulness in providing technical assistance in using the data, 20 respondents said the staff was very helpful (19) or somewhat helpful (1). One respondent said AHCPR staff was not at all helpful in providing technical assistance.

With regard to each type of helpfulness, four of the 25 respondents did not rate AHCPR staff. They explained that they did not need help from AHCPR staff or they did not have a sufficient basis on which to rate their help. (See Appendix).

NEVERTHELESS, SOME DATA CONCERNS AND PROCESS PROBLEMS EXIST

Lack of currency of NMES-2 data and lack of institutional expenditure information viewed as impediments

Despite the generally high level of AHCPR responsiveness to Federal users needs, some concerns exist about the age of NMES-2 data in released public use tapes. Half the respondents expressed general concern about the currency of NMES-2 data. While most have been able to make good use of released data, they note that it is now nearly five years old and aging.

We are unable to assess the significance of this concern. The aging of data in large, complicated surveys is a common problem. AHCPR staff provided information about other large surveys showing comparable elapsed times between the end of data collection and the availability of public use tapes.

A particular concern of one user is the lack of expenditure data related to the mentally retarded and developmentally disabled population surveyed in the institutional component. Some of these data are scheduled for release later this year. This user (a member of the NMES Work Group) points out that improving similar data collection in NMES-3 is very difficult without having first assessed the related NMES-2 data.

The AHCPR has advised us, in response to concerns about release of the Institutional Population Component (IPC) of NMES-2, that "The primary factors controlling the release of these data are technical, involving to a large extent issues that were not foreseen at the outset of the process." The agency explained that:

> It was the panel nature of the IPC, the need for repeated contacts, and the information to estimate use and expenditures for the full year that introduced the complexities and determined the time of Public Use data tape distribution.

The AHCPR also pointed out that all data tape production was stalled during 1990 and 1991, while the agency responded to requests related to health care reform.

Questions raised about the NMES Work Group's mission and membership

No charter or similar document exists which specifies the NMES Work Group's purpose or defines the roles of AHCPR and group members.

The majority of members of the Work Group do not feel that short-term (six of nine) and long-term (eight of nine) agendas have been established for addressing primary user interests in, and concerns with, NMES-3. Responses were mixed as to whether the group represents an effective forum for users to provide input to the development of NMES-3. Of six clear responses, three say yes and three say no, and only those members who said yes believe that AHCPR is open to making suggested changes. Four others say they don't know, and two say they don't believe AHCPR is open to changes.

Although contracts were let to conduct methodological studies needed to plan and operate NMES-3, none of the agencies represented by these members were asked for input to AHCPR's formulation of the scope of work for contractors.

With one exception, these members agree that the composition of the work group does represent users with the greatest need for the data. However, it should be noted that two of the heaviest users of NMES-2 data have been OMB and CBO, both of

which are outside HHS and not represented on the work group. In addition, discussions with other department officials reveal that the work group composition does not successfully represent senior policy staff interests and concerns for current and anticipated data needs. (See following section on strategic planning process).

The budget process appears inadequate, requiring greater structure

The AHCPR requested $10 million for Fiscal Year (FY) 1994 to help accelerate data collection for NMES-3. This came as a surprise to departmental agencies concerned about its cost, who had expected this kind of funding to be one year later, for FY 1995. This is not to imply that the acceleration was inappropriate. However, the time period for reviewing the request was short. This request was based on AHCPR's analysis of procurement schedules necessary to prepare for field work to be accomplished according to the original schedule.

We also found that key documents needed by ASPE and ASMB were not available to them. The documents -- schedules and descriptions of major NMES survey components -- had, in fact, been prepared, but had not been submitted with the budget request. Subsequent to our noting this problem, and bringing it to the attention of both AHCPR and the Office of the Secretary, these documents were submitted and have been reviewed. However, the event illustrates the fact that PHS and Office of the Secretary staff had not established a budget review process adequate to deal with this large project.

Strategic planning process appears fragmented and in need of improvement

Based on our review of the decision-making processes, we identified weaknesses in processes needed to develop a strategic plan for evaluating current and future health care utilization and expenditure surveys. Several senior officials we interviewed agreed with this observation. We noted that technical experts rather than senior policy decision makers were engaged in the developmental process. Several respondents expressed some reservation about spending $80 million or more for NMES-3, by far the costliest health care utilization and expenditure survey in the Department. More broadly, the respondents viewed the collection of such data within HHS as a fragmented process, with possible duplication of effort and excessive overall cost a likely consequence.

RECOMMENDATIONS

The PHS should take steps to clarify for all members the purpose of the NMES Work Group and the role members are expected to play.

In particular, short- and long-term agendas should be drawn up and shared. Attention should be given to addressing member concerns about opportunities to have NMES-3 reflect user needs. A decision should be made as to whether this group should consist primarily of technical experts or more senior policy officials, or both. In any event, a mechanism is needed to more explicitly obtain the review and input of senior policy officials. Such planning might consider representation of other Federal agencies, including OMB and CBO, which have a large stake in NMES data.

The ASPE and ASMB should undertake a strategic review of medical expenditure data sources.

This could be done under the auspices of the DPAWG or other group. It should involve all affected HHS components, including PHS and HCFA. There should be more direct coordination between the NMES Work Group and the DPAWG in the development of a strategic plan to meet HHS's data needs in the most efficient and effective manner possible. This effort should raise and answer fundamental questions about scope, accuracy, precision and confidence levels, as well as levels of funding for surveys. It should consider the availability of medical expenditure data from the NMES as well as other surveys and studies. Senior policy officials should be involved in the decision-making process.

The PHS, ASPE, and ASMB should reach agreement on information needed by the Office of the Secretary to effectively analyze current and upcoming NMES budget requests.

With a project as expensive, prolonged and complex as NMES, it is likely that revisions to the budget and schedules will be needed periodically.

The PHS should identify innovations to speed up the release of NMES data as soon as is technically feasible.

We recognize that AHCPR has taken steps in its NMES-3 methodological studies to find ways to improve the release time for public use tapes. We encourage AHCPR's pursuit of additional innovative ways to collect data crucial to meeting the health care policy, budget, and legislative needs of the department.

REPONDENTS BY AGENCY: AHCPR STAFF HELPFULNESS

Agency	No. Respondents	Access To Data	Technical Assistance
A	1	VH-1	VH-1
B	5	VH-3 SH-1 MX-1	VH-4 OT-1
C	3	VH-2 OT-1	VH-1 SH-1 OT-1
D	1	SH-1	VH-1
E	1	VH-1	VH-1
F	1	VH-1	VH-1
G	1	VH-1	VH-1
H	4	VH-4	VH-3 OT-1
I	2	VH-2	VH-2
J	1	MX-1	NAH-1
K	1	VH-1	VH-1
L	2	OT-2	VH-1 OT-1
M	1	OT-1	VH-1
N	1	VH-1	VH-1

KEY

VH: Very Helpful
SH: Somewhat Helpful
MX: Mixed
NVH: Not Very Helpful
NAH: Not At All Helpful
OT: Other

TOTALS

VH-17	VH-19
SH-2	SH-1
MX-2	MX-0
NVH-0	NVH-0
NAH-0	NAH-1
OT-4	OT-4

APPENDIX B

COMMENTS OF THE ASSISTANT SECRETARIES FOR HEALTH AND MANAGEMENT AND BUDGET

(SEE ATTACHMENT)

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

JAN -7 1993

MEMORANDUM TO THE INSPECTOR GENERAL
Attn: Bryan Mitchell

From: Arnold R. Tompkins
Assistant Secretary for Management and Budget

Subject: OIG Draft Report: "The National Medical Expenditure Survey" -- COMMENTS

We have reviewed the OIG draft report: "The National Medical Expenditure Survey" and agree to clear the report with the following modifications.

We propose a modification to the second report recommendation reflected on page ii of the Executive Summary and on page 9 of the full report. The Data Planning and Analysis Work Group (DPAWG) has lead responsibility for the strategic review of medical expenditure data sources, is reviewing Department-wide data efforts, and DPAWG already has activities underway which address the report's recommendation. We suggest that the report drop the recommendation for a joint ASPE/ASMB effort, recognize the activities of the DPAWG, and commit the OIG to a follow-on review/assessment of the DPAWG's efforts in approximately a year.

Also, since the report focuses primarily on NMES II experience, we would propose that the OIG report on how the NMES III planning process has accounted for, and improved on, problems identified with NMES II. AHCPR, the NMES work group, and the DPAWG are working towards developing a survey and database which is more timely and which better supports health care policy decision-makers.

IG	
PDIG	
DIG-AS	✓
DIG-EI	
DIG-OI	
AIG-MP	
OGC/IG	✓
EX SEC	
DATE SENT	1/7

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Memorandum

Date JAN 18 1993

From Assistant Secretary for Health

Subject Office of Inspector General (OIG) Draft Report "The National Medical Expenditure Survey," OEI-02-92-00350

To Acting Inspector General, OS

Attached are the Public Health Service comments on the subject OIG draft report. We concur with the report's recommendations and have taken or will take actions to implement them. Also included for your consideration are several technical comments.

James O. Mason

James O. Mason, M.D., Dr.P.H.

Attachment

IG
PDIG
DIG-AS
DIG-EI
DIG-OI
AIG-MP
OGC/IG
EXSEC
DATE SENT 1/22

PUBLIC HEALTH SERVICE (PHS) COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT "THE NATIONAL MEDICAL EXPENDITURE SURVEY," OEI-02-92-00350, ISSUED NOVEMBER 1992

The OIG report contains four recommendations, three of which are addressed to PHS. Following are the comments on the recommendations addressed to PHS.

OIG Recommendation

1. The PHS should take steps to clarify for all members the purpose of the NMES Work Group and the role members are expected to play.

PHS Comment

We concur. The Agency for Health Care Policy and Research (AHCPR) will take necessary actions to ensure that the objective of this recommendation is met by addressing Departmental concerns regarding the purpose and role of the NMES Working Group. Both technical and policy input is needed in order to ensure that all Departmental concerns are met. It may be necessary to form a second group of senior Departmental officials to fully address policy needs and concerns. Accordingly, AHCPR will explore this and other options with PHS and Departmental officials and will, within four months, establish an appropriate mechanism for addressing policy needs and issues in NMES planning.

OIG Recommendation

2. The PHS, Office of the Assistant Secretary for Planning and Evaluation (ASPE), and Office of the Assistant Secretary for Management and Budget (ASMB) should reach an agreement on information needed by the Office of the Secretary (OS) to effectively analyze current and upcoming NMES budget requests.

PHS Comment

We concur. AHCPR will, in concert with the PHS and the OS, take necessary actions to continue to ensure that documentation needed in the NMES budget review process is prepared in accordance with Departmental needs and submitted to OS components in a timely manner. AHCPR presented a schedule of deliverables for NMES-3 to the Data Planning and Analysis Work Group. The Work Group approved this schedule of deliverables and transmitted its recommendation to ASPE and ASMB.

OIG Recommendation

3. The PHS should identify innovations to speed the release of NMES data as soon as technically feasible.

PHS Comment

We concur. The timely release of public use data remains an important aspect of the NMES project. As the OIG report acknowledges, AHCPR has taken steps in the NMES-3 methodological studies to improve the release time for public use tapes. AHCPR will ensure that appropriate efforts continue to be made in this regard.

Much of the delay in releasing NMES data is explained by the need to contact the medical providers, employers, and insurers of the households in the sample in order to obtain accurate and complete data on health expenditures, health insurance premiums, and health plan provisions. In the NMES-3 methodological studies AHCPR is testing several procedures to expedite the fielding of these follow-up surveys, including the feasibility of mounting the follow-up surveys while the household survey is still in the field.

In addition, survey methodologists at AHCPR are analyzing NMES-2 data to identify changes, in questionnaire design and estimation procedures, that would shorten the time from data collection to estimation. For example, problematic sections of the NMES-2 questionnaires have been identified and are being re-designed to eliminate the need for extensive editing and imputation. Simpler procedures for imputing missing expenditure items are being evaluated for their effects on data quality.

The AHCPR is investigating the efficiencies that might be realized from greater reliance on computer-assisted interviewing in NMES-3. AHCPR is also re-examining the requirements of the data collection contractor with respect to data editing and cleaning, and exploring other ways that could be used by contractors to expedite the release of NMES data.

Technical Comments

- Page 6 includes discussions of some concerns regarding the currency of the NMES data. However, it should be noted that the data can be adjusted to reflect changes in prices and, in fact, it is far more economical to adjust data than to collect it more often. Only when there are major changes in the industry do the data become less useful for policy studies. Currently, NMES-2 data are being used by virtually all researchers involved in studies of health care reform.

- Page 8 includes a statement that the proposed costs of NMES-3 are between $88 and $100 million. In fact, the proposed budget for NMES-3 is $80 million. This figure has been presented to the OS and the Office of Management and Budget on numerous occasions. For planning purposes, it is Departmental

practice not to include the costs of staff and other relatively fixed costs in estimates for such projects. Further, it is not appropriate to include the estimated costs of providing technical assistance to the Executive Branch as part of the data collection costs.

Also, please note that page 3 of the report states that the estimated cost of NMES-3 is between $88 and $131 million and includes follow-up analyses and staff costs.

- Page 8 includes discussion of concerns regarding the lack of a strategic planning process for evaluating current and future health care utilization and expenditure surveys. This statement is supported by anecdotal evidence provided in interviews with several senior officials who "...agreed with this observation." For a more balanced perspective, the report should note that plans for NMES-2 were reviewed and considered at the highest levels within the Department. In addition, the Data Planning and Analysis Working Group has completed a review of data needs and issues in health care use and expenditures and has developed a number of strategic planning recommendations.

- Page 8 includes discussion of concerns regarding the appearance of inadequacy in the budget process. For balance, we suggest that the report note that all budget data requested by the ASMB were presented in the preliminary budget submitted to the Department. After submission of the budget document, ASMB made an ad hoc request for additional data, which PHS provided to them in a timely manner.