



Health Care Expenditures in the NHEA and in GDP

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National Economic Accounts Data Users Conference

Washington, DC

June 7, 2011

Joint BEA-CMS Project to Reconcile Two Measures of Health Care Spending

- The National Health Expenditure Accounts (NHEA), from the Centers for Medicare and Medicaid Services (CMS)
- Health-related expenditures included in GDP (expenditures approach), part of the National Income and Product Accounts (NIPAs) from BEA

References:

- Hartman, Micah B., Robert J. Kornfeld, and Aaron C. Catlin. 2010. “A Reconciliation of Health Care Expenditures in the National Health Expenditures Accounts and in Gross Domestic Product.” *Survey of Current Business* 90 (September): 42-52.
- Hartman, Micah B., Robert J. Kornfeld, and Aaron C. Catlin. 2010. “Health Care Expenditures in the National Health Expenditures Accounts and in Gross Domestic Product: A Reconciliation.” BEA working paper.

Why a Reconciliation?

- Dramatic increase in the share of the economy devoted to health care
- Size and scope of the Patient Protection and Affordable Care Act
- Understanding and accounting for health care spending in a comprehensive and consistent way is essential for
 - assessing the role of health care spending in the US Economy
 - making long-term projections of health care expenditures and the financial requirements for Medicaid and Medicare
 - identifying sources of growth in health care spending
 - helping users decide which definitions and measures are most useful

Health Expenditures: Services

CMS: National Health Expenditures

- Hospital care
- Physician and clinical services
- Dental services
- Home health care
- Nursing care facilities, continuing care retirement communities
- Other professional services
- Net cost of health insurance

- Other health, residential, and personal care

BEA: Personal Consumption Expenditures (PCE) for Services in GDP

- Hospitals
- Physician services and labs
- Dental services
- Home health care
- Nursing homes

- Other professional medical services
- Net health insurance

- Final consumption expenditures of nonprofits serving households

Health Expenditures: Goods

CMS: National Health Expenditures, Retail Outlet Sales of Medical Products

- Prescription drugs
- Other non-durable medical products
- Durable medical equipment

BEA: Personal Consumption Expenditures (PCE) for Goods in GDP

- Prescription drugs
- Nonprescription drugs and other medical products
- Therapeutic medical equipment, corrective eyeglasses and contact lenses

Health Expenditures: Private Investment

CMS: National Health Expenditures

- Structures
- Equipment
- Private Research

BEA: Expenditures in GDP

- Health care structures
- Electro-medical equipment and medical instruments

Health Expenditures: Government Activities

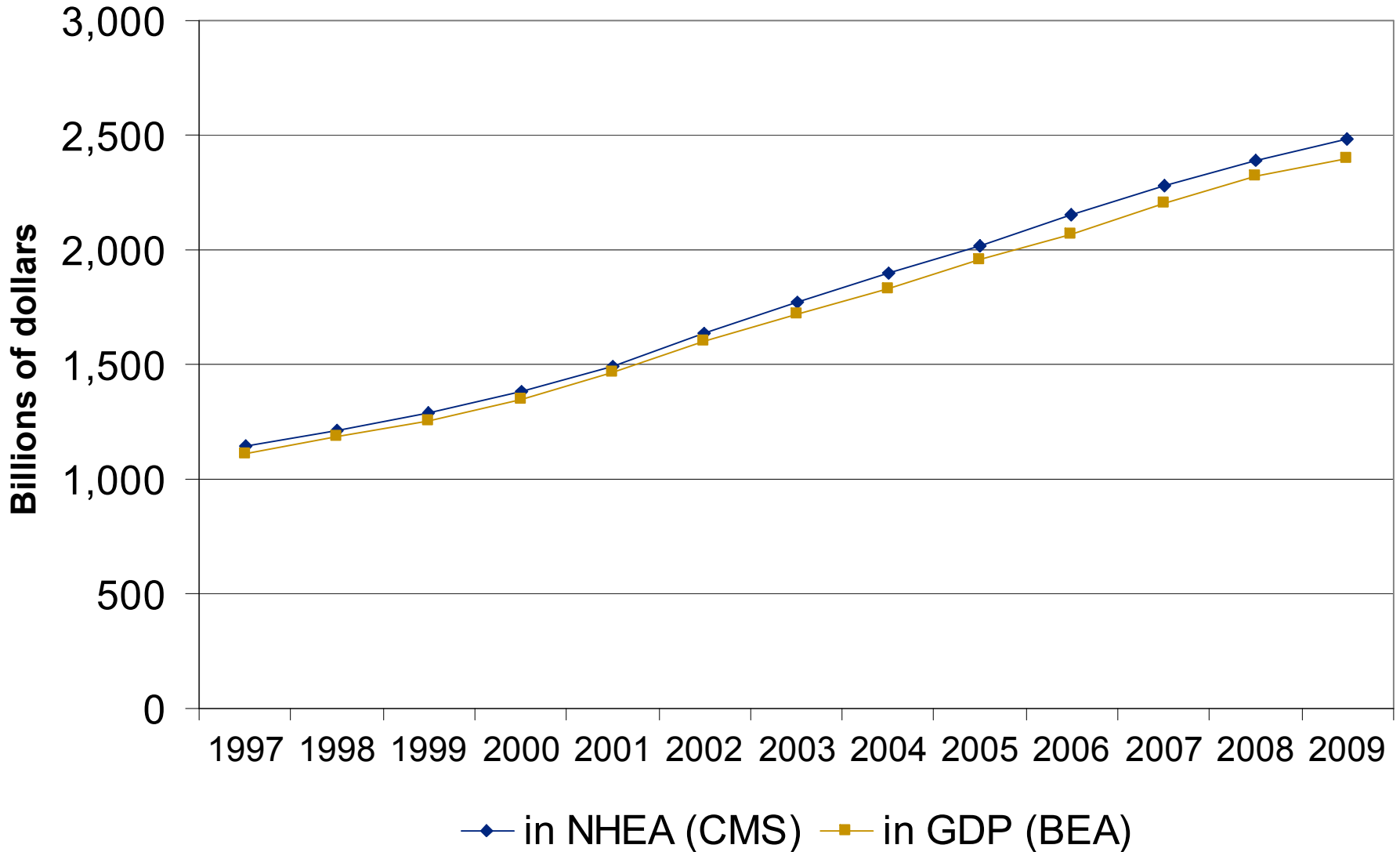
CMS: National Health Expenditures

- Government administration
- Government public health activities
- Government-sponsored research
- Medicaid and Medicare are “sources of funds”
- Government Investment in Equipment and Structures

BEA: Expenditures in GDP

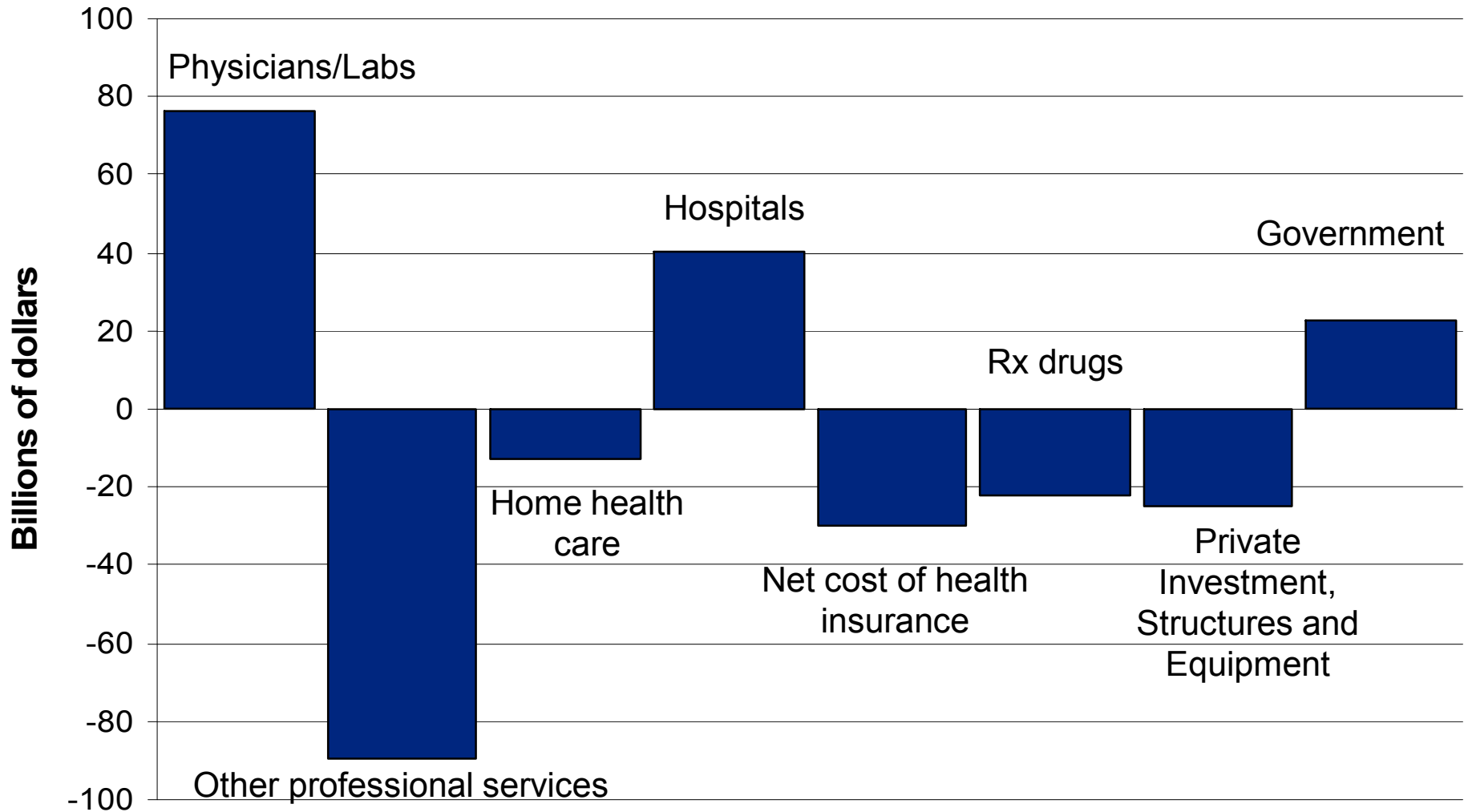
- Federal and state and local government consumption expenditures for health
- Medicaid and Medicare are “government social benefits”
- Government Investment in Equipment and Structures

Similar estimates of total health spending...



...but large discrepancies in estimates of spending for specific categories

NHEA estimate less GDP estimate, 2009



Key Differences: Services and Goods

- NHEA and GDP accounts place some types of health spending in “different sounding” categories
- Some expenditures counted as “health-related” only in GDP or only in the NHEA
- Some different data sources
 - Hospitals: GDP relies on the Service Annual Survey (SAS); NHEA relies on the American Hospital Association (AHA)
- Timing of revisions differs
 - CMS releases estimates in January
 - BEA releases annual revision of GDP in July
- NHEA tend to measure revenues of health-care industries; GDP measures spending for commodities

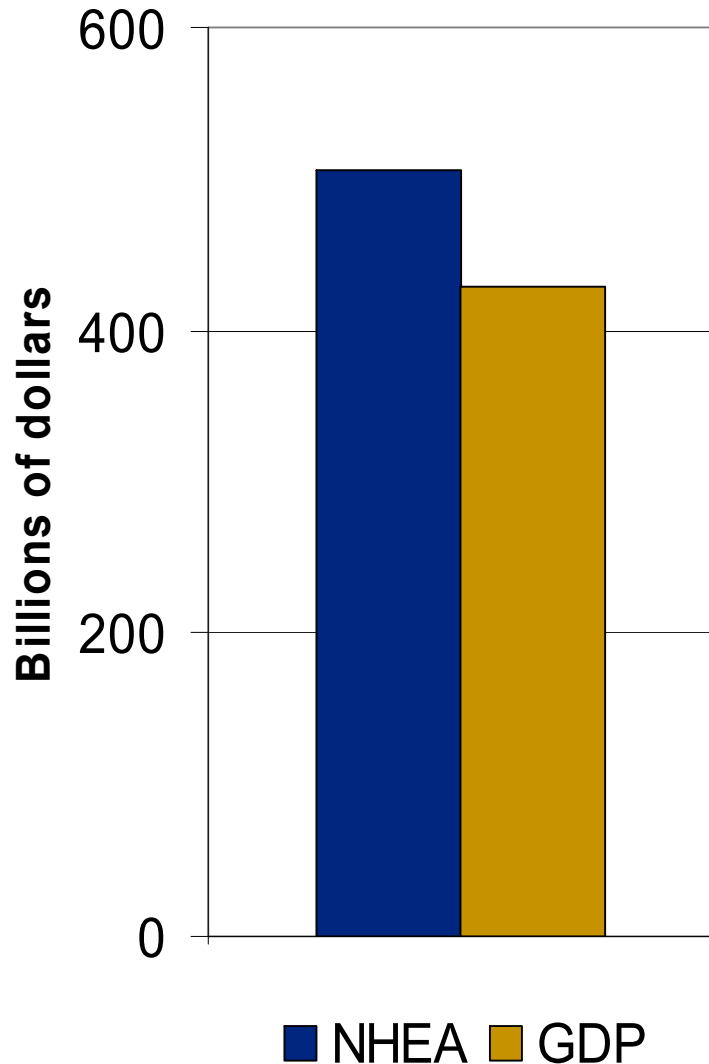
Key Differences: Services and Goods

- Different treatment of patient care directly purchased by government (such as a VA hospital)
 - NHEA: part of spending for hospital care
 - GDP: part of government consumption expenditures
- Different treatment of nonprofit services (NPISHs)
 - NHEA: total revenues of nonprofits from all sources
 - GDP: spending for nonprofit services reported in two parts
 - Commodity sales to households (in PCE household consumption expenditures)

plus

 - Final consumption expenditures of NPISHs (gross output net of sales and own account investment)

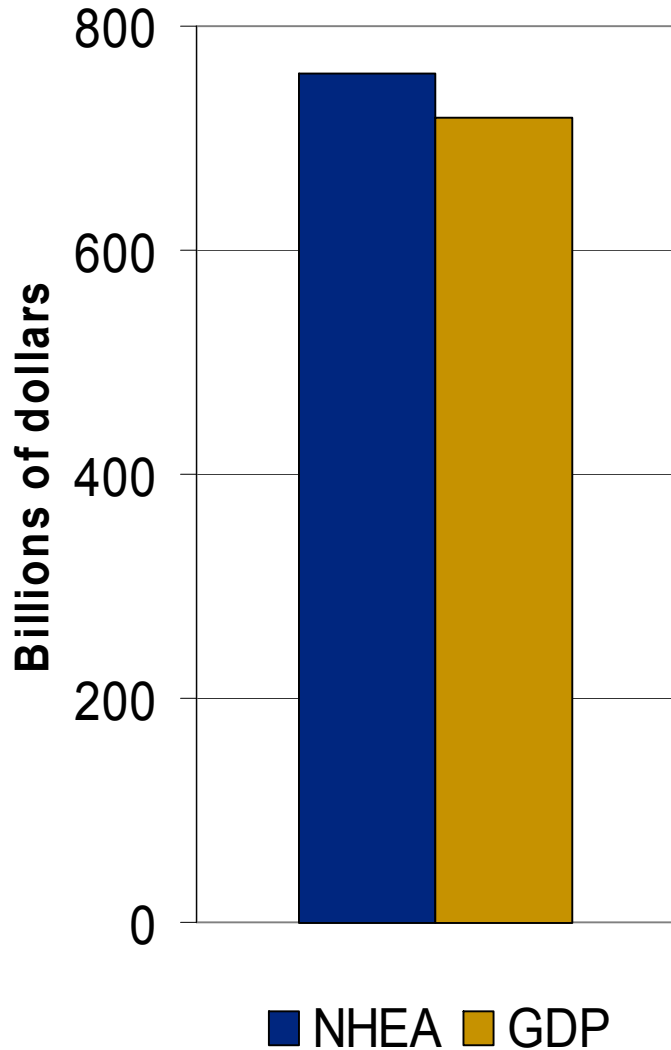
Physician and Clinical Services (NHEA), Physician Services and Labs (GDP), 2009



Key differences

- NHEA estimate includes additional outpatient care centers
- NHEA estimate includes services directly purchased by government
- NHEA estimate benchmarked to 2007 Economic Census
- Commodity sales (GDP) vs. industry sales (NHEA)

Hospitals: NHEA vs Household Consumption Expenditures in GDP, 2009



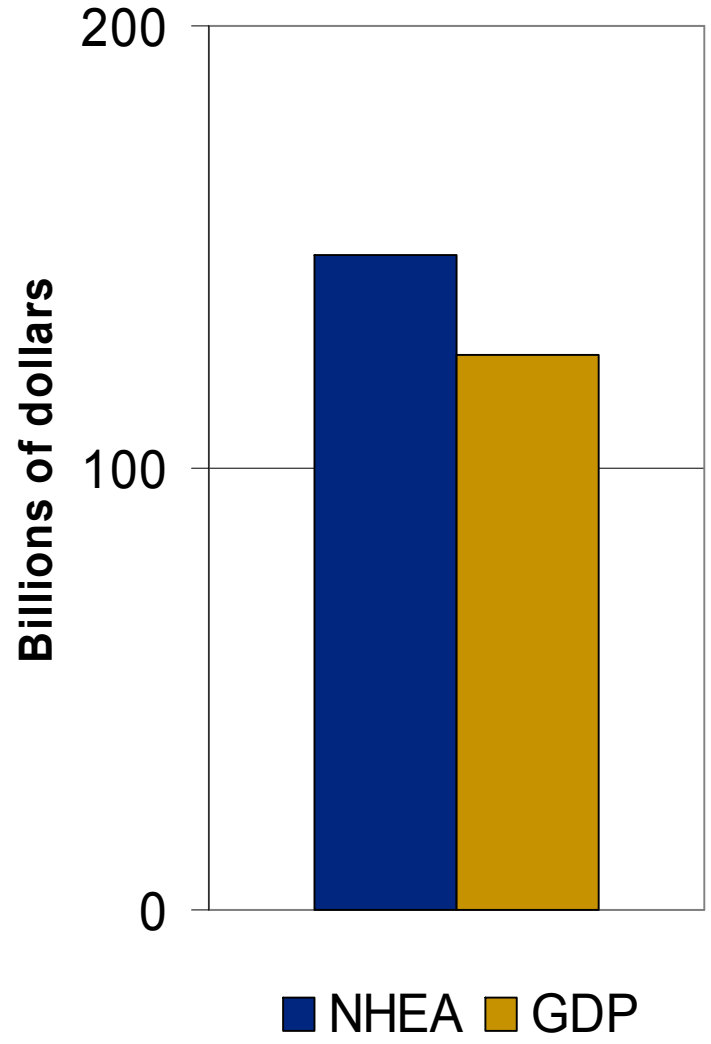
Key differences

- NHEA estimate includes services directly purchased by government (mainly VA hospitals)
- Commodity sales (GDP) vs. industry sales (NHEA)
- Nonfederal hospital revenues: SAS estimate (GDP) exceeds AHA estimate (NHEA)
- GDP also includes final consumption expenditures of NPISHs

Other Health, Residential, and Personal Care

- NHEA: \$123 billion in 2009
- Includes some categories of spending not counted as health-related expenditures in GDP
 - Residential substance abuse and mental health facilities (social assistance expenditures in GDP)
 - Home and community waivers programs under Medicaid (partly social assistance expenditures in GDP)
 - Health spending in schools (education expenditures in GDP)

Government Administration, Public Health, Research (NHEA), Government Consumption Expenditures for Health (GDP)



Key Differences: Government Activities

- NHEA include some additional spending as health-related
 - DOD health spending: defense-related in GDP
 - Research grants: education-related or in the personal sector in GDP

- Patient care directly purchased by government (VA hospitals)
 - NHEA: spending for hospital care
 - GDP: government consumption expenditures

Key Differences: Government Activities

- Patient care provided by government facilities and purchased by households and insurers (state and local government hospitals)
 - NHEA: all revenues part of spending for hospital care, not government activities
 - GDP: government consumption expenditures measured as
 - Gross output (costs of production)
 - less*
 - Sales to other sectors (mostly PCE) and own-account investment