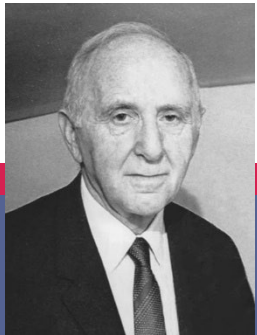


A Satellite Account for Health in the United States

David M. Cutler, Harvard and NBER

November 2022



Simon Kuznets



Zvi Griliches

Goal

- Talk about recent developments in satellite health account
- What is easy/hard for an org like BEA

A Satellite Account for Health in the United States[†]

By DAVID M. CUTLER, KAUSHIK GHOSH, KASSANDRA L. MESSER,
TRIVELLORE RAGHUNATHAN, ALLISON B. ROSEN, AND SUSAN T. STEWART*

This paper develops a satellite account for the US health sector and measures productivity growth in health care for the elderly population between 1999 and 2012. We measure the change in medical spending and health outcomes for a comprehensive set of 80 conditions. Medical care has positive productivity growth over the time period, with aggregate productivity growth of 1.5 percent per year. However, there is significant heterogeneity in productivity growth. Care for cardiovascular disease has had very high productivity growth. In contrast, care for people with musculoskeletal conditions has been costly but has not led to improved outcomes. (JEL E01, H51, I10)

“The welfare of a nation can scarcely be inferred from a measure of national income.”

—Simon Kuznets (1934, p. 7)

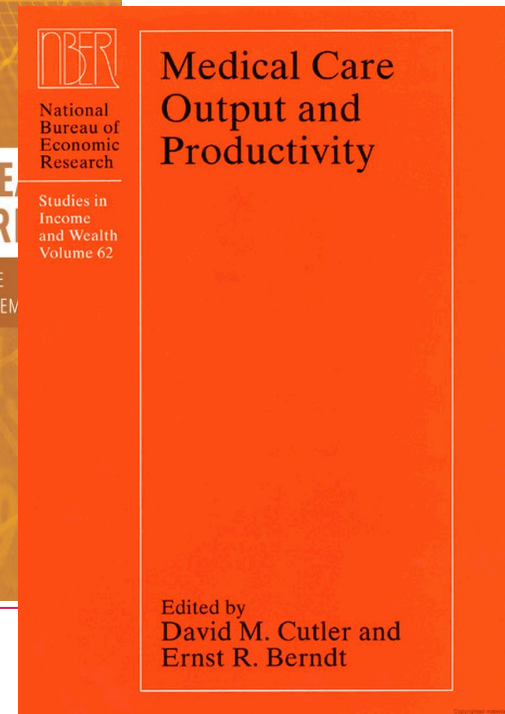
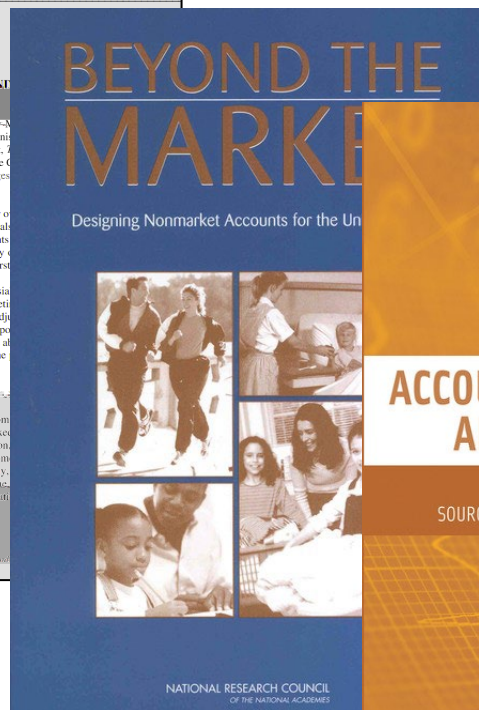
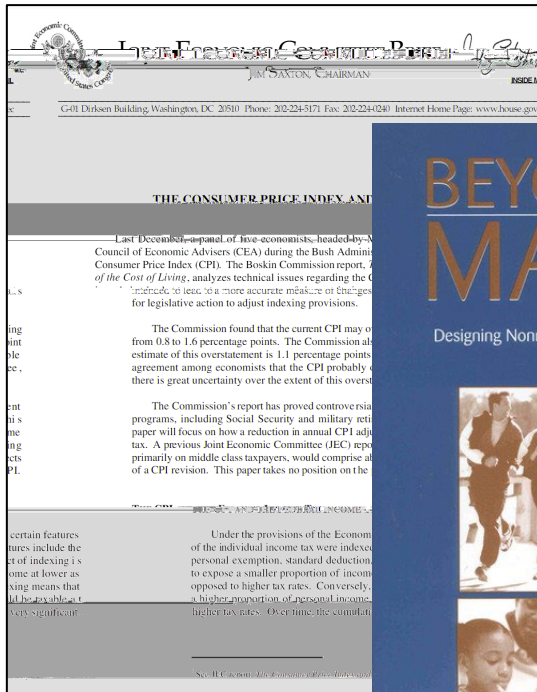
Estimating medical care productivity growth is a central economic challenge. The National Income and Product Accounts (NIPAs) report that multifactor productivity (MFP) in the health care and social assistance sector declined by 0.4 percent annually between 1987 and 2018,¹ in contrast to the 0.9 percent increase in the economy as a whole. Given the size of health care in the economy, about 18 percent of GDP,

*Cutler: Harvard University and NBER (email: dcutler@harvard.edu); Ghosh: National Bureau of Economic Research (email: gaushk@nber.org); Messer: University of Michigan (email: kasey@umich.edu); Raghunathan: University of Michigan (email: teraghu@umich.edu); Rosen: University of Massachusetts (email: arosen006@gmail.com); Stewart: National Bureau of Economic Research (email: sstewart@nber.org). Henrik Kleven was the coeditor for this article. We are grateful to Patricia Berglund, Irina Bondarenko, Marcelo Coca Perrailon, Paul Imbriano, James Schafer, and Rebecca Woodward for research assistance, and to participants in our National Health Accounts Advisory Group and the Harvard University Interfaculty Program for Health Systems Improvement for initial advice and support. We thank Corby Garner, Joe Newhouse, Louise Sheiner, the editors, and three anonymous reviewers for very helpful comments, and the National Institute on Aging of the National Institutes of Health for research support under awards R37AG047312 and P01AG31098. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research or the National Institute on Aging. The code for replicability purposes has been deposited in the AEA Data and Code Repository, openICPSR=143521. This research was approved as exempt by the Institutional Review Board at NBER (ID: 15-130) and declared not human subjects by Harvard University (ID: IRB 15-0773) and approved by the University of Michigan (ID: HUM00076460).

[†]Go to <https://doi.org/10.1257/aer.20201480> to visit the article page for additional materials and author disclosure statements.

¹This includes health care and social assistance, although social assistance represents less than 10 percent of the total. Health care services includes inpatient and outpatient facilities but excludes pharmaceuticals and medical devices. Over the 1987–2016 time period, the reported MFP of the pharmaceutical industry was -1.7 percent annually and the reported productivity growth of the medical equipment and supplies industry was 0.7 percent annually.

Measurement of productivity in medical care has been a longstanding challenge



Two basic difficulties with medical care productivity

- **We often get the industry wrong**
 - We focus on the name of the company providing the treatment (hospital, physician, pharma company). Consumers care about the condition being treated (heart disease, stroke, cancer)
 - BEA has made huge progress here.
 - **We are not good at measuring outcomes**
 - Improved health, relative to the counterfactual
 - There has been some progress. This is tough stuff.
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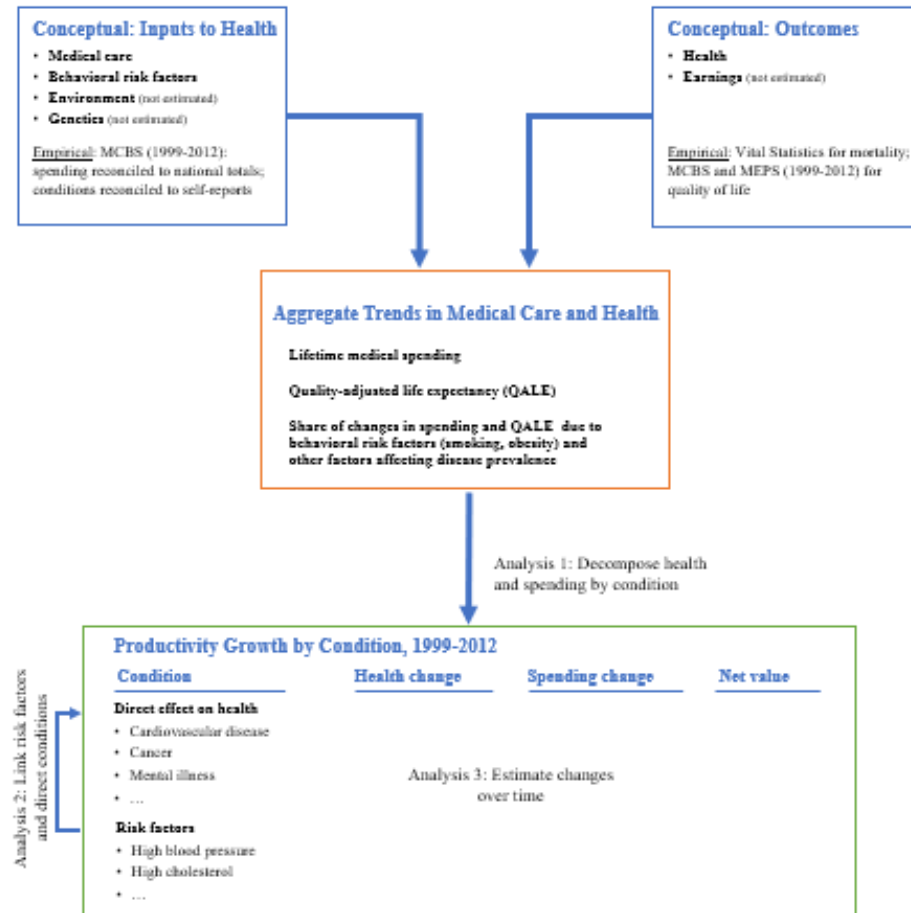
Conceptual Underpinnings

Figure 1: Depiction of Satellite Health Account

Inputs

Aggregates

Conditions



Note: The top row shows the conceptual inputs to a satellite health account: the inputs and health outcomes. The middle row shows aggregate trends in medical care and health. The lower row shows the productivity analysis. Productivity growth is determined from changes in health and medical spending.

First accounts are for the elderly*

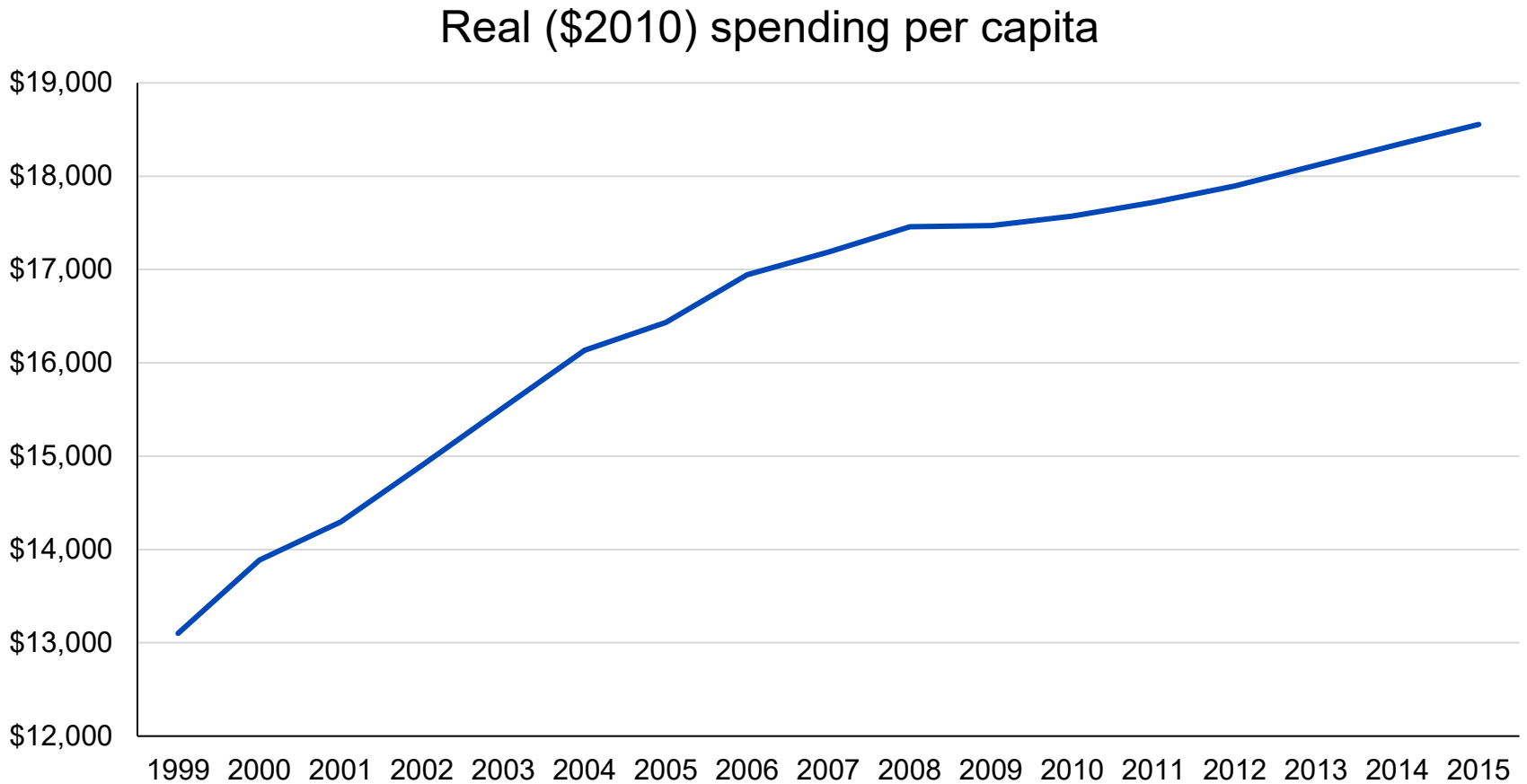
- Data are from Medicare Current Beneficiary Survey (MCBS), 1999-2012
- Total spending, not just Medicare
- Adjustments
 - Adjust weights in TM to match TM+MA population
 - Based on health info as well as demographics
 - Move spending across categories and adjust overall totals to match national health expenditure accounts
 - All spending in real (2010) dollars

* Working on the rest of the population.

AGGREGATES

This is not too hard.

Real per capita medical spending increased \$4,800 annually over this time period



Data are age-adjusted to the 2010 population in 3 age groups.

Measuring population health

$$QALE(t) = \sum_{k=0}^T \underbrace{\text{Survival}(t+k)} \cdot \underbrace{\text{QoL}(t+k)}$$

Survival

Determined from life tables

Quality of life

Specific impairments (X_{it}):

- Any ADLs (/6) and IADLs (/6)
- Functional limitations (5)
- Trouble seeing, hearing
- Health limits social activity

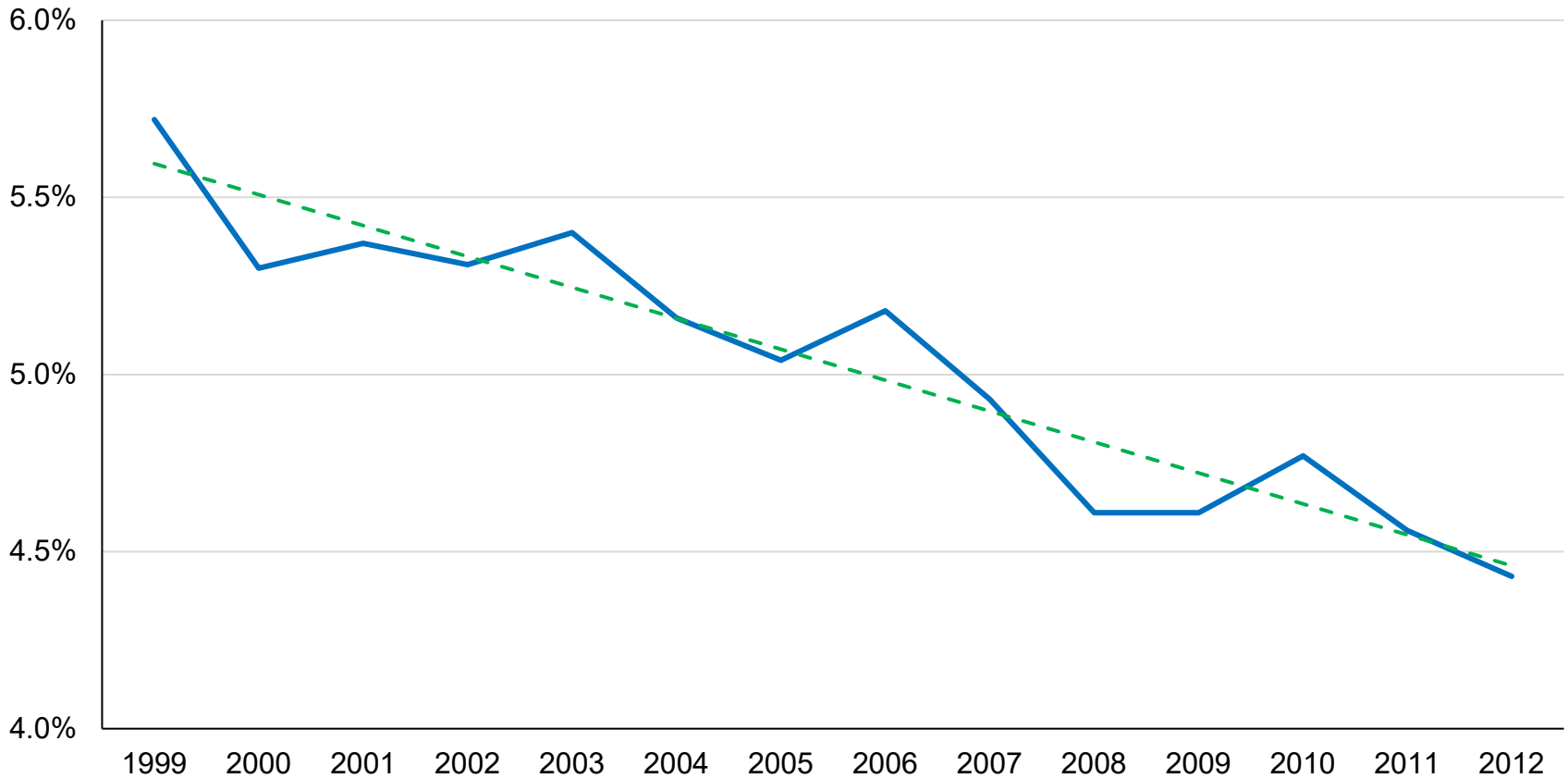
Relate 0-100 health score to these impairments in 2000-2002 MEPS

$$h_i = \beta_0 + \mathbf{X}_i\boldsymbol{\beta} + \varepsilon_i$$

Weight impairments over time ($X_{it}\hat{\beta}$)

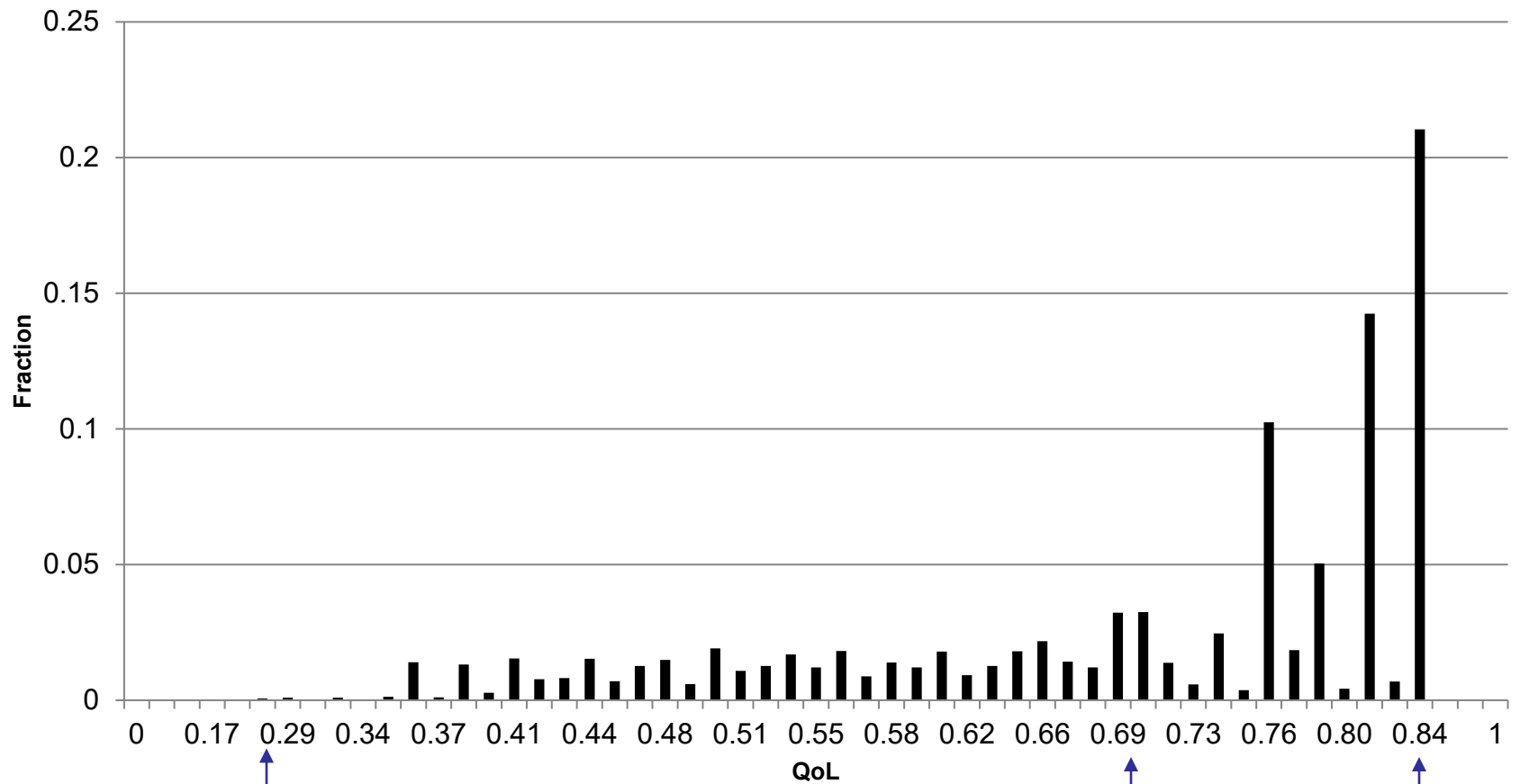
Mortality in the elderly has been falling

Mortality Rate in the Elderly Population



Data are age-adjusted to the 2010 population in 3 age groups.

Quality of life scores

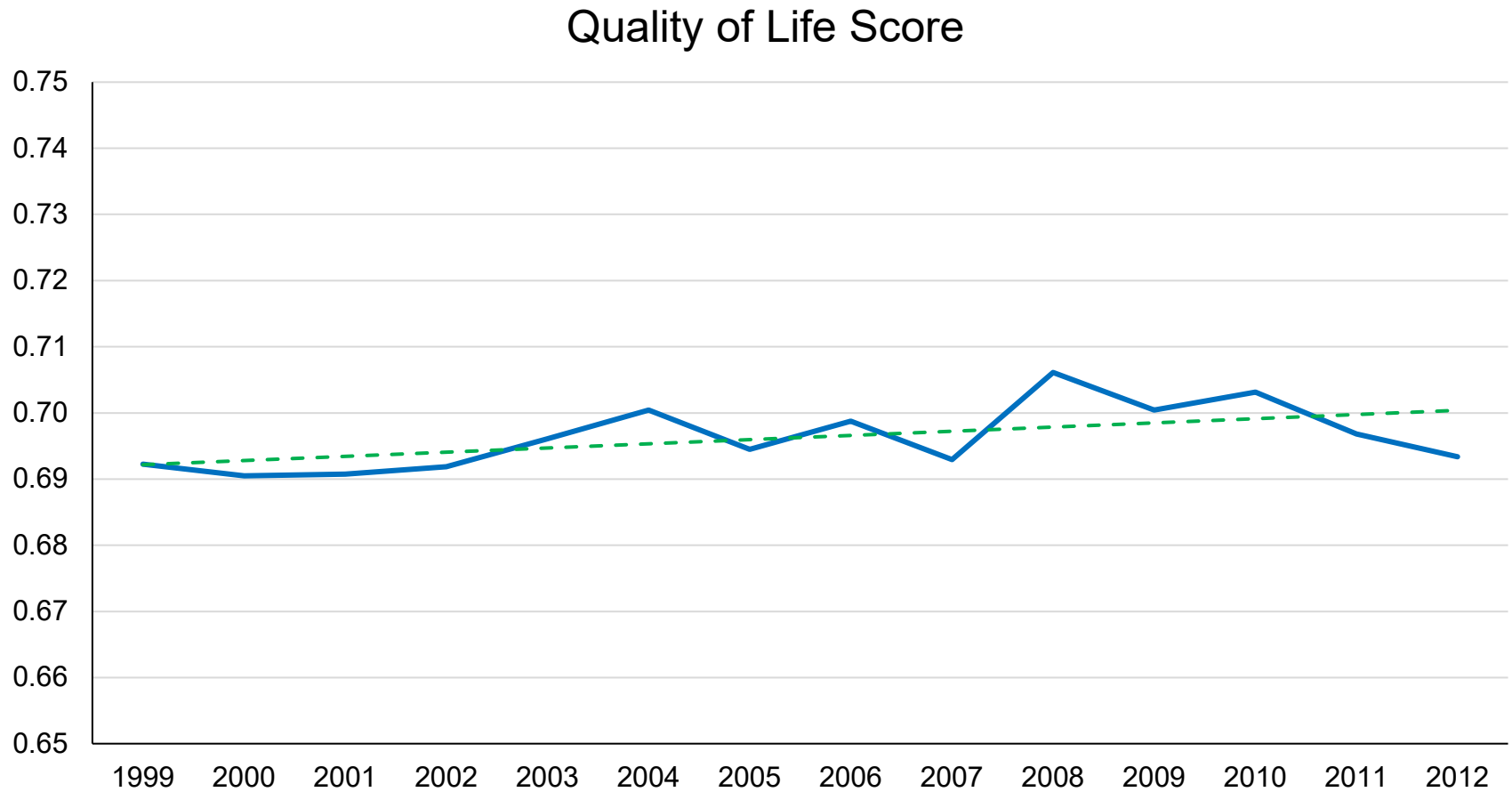


Lowest value ~ 0.26

Mean

Max value

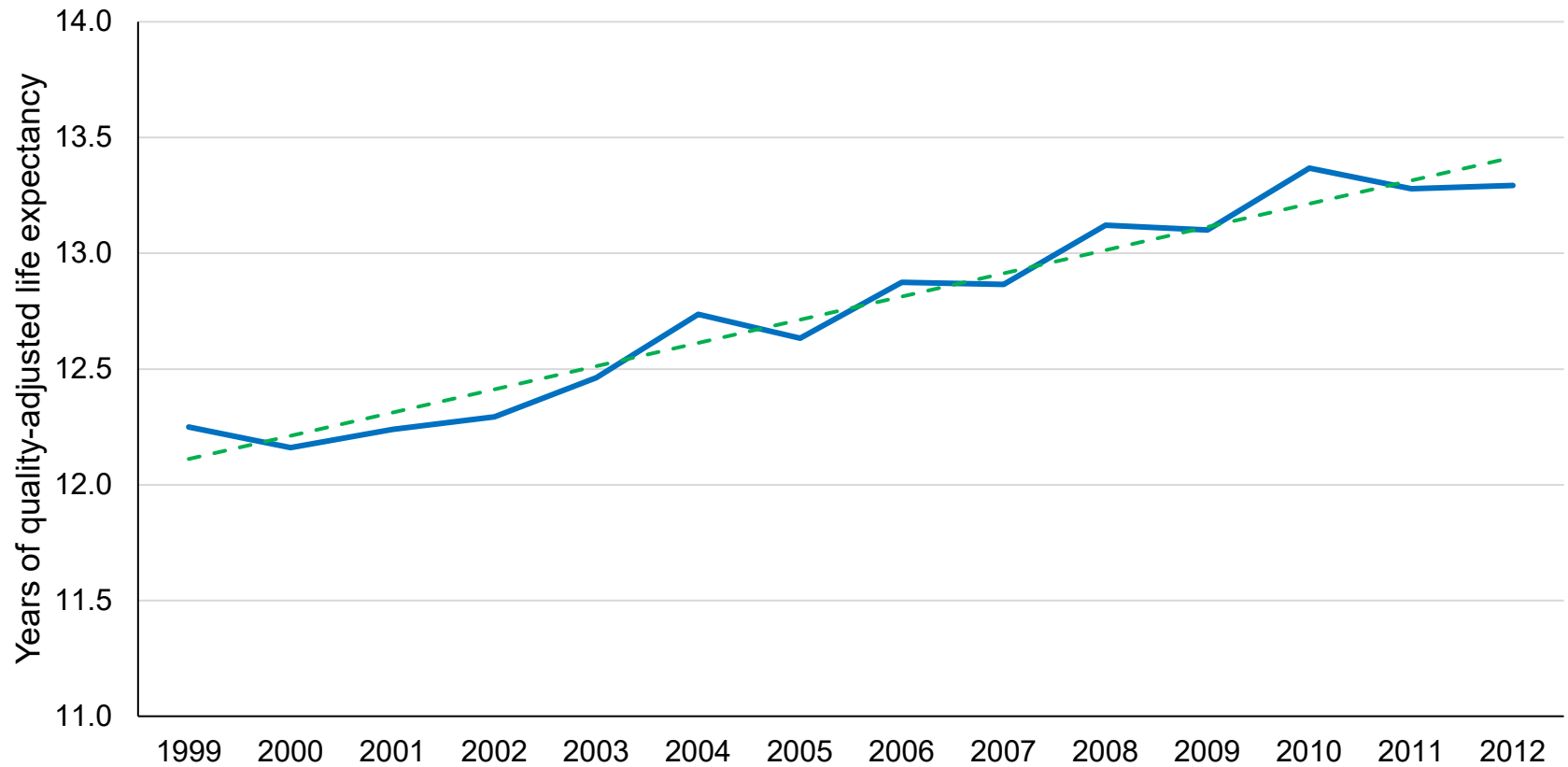
Quality of life is relatively constant



Data are age-adjusted to the 2010 population in 3 age groups.

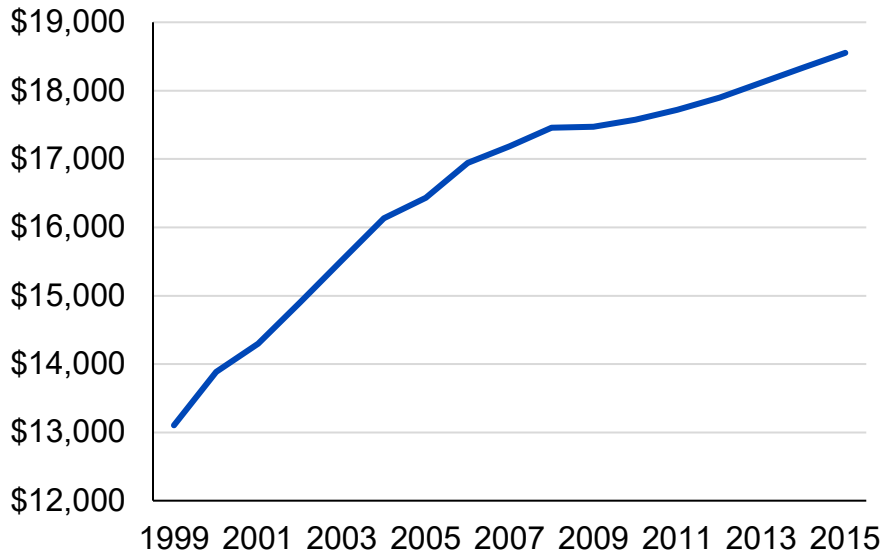
Implication: quality-adjusted life expectancy is rising.

Quality-Adjusted Life Expectancy at age 65



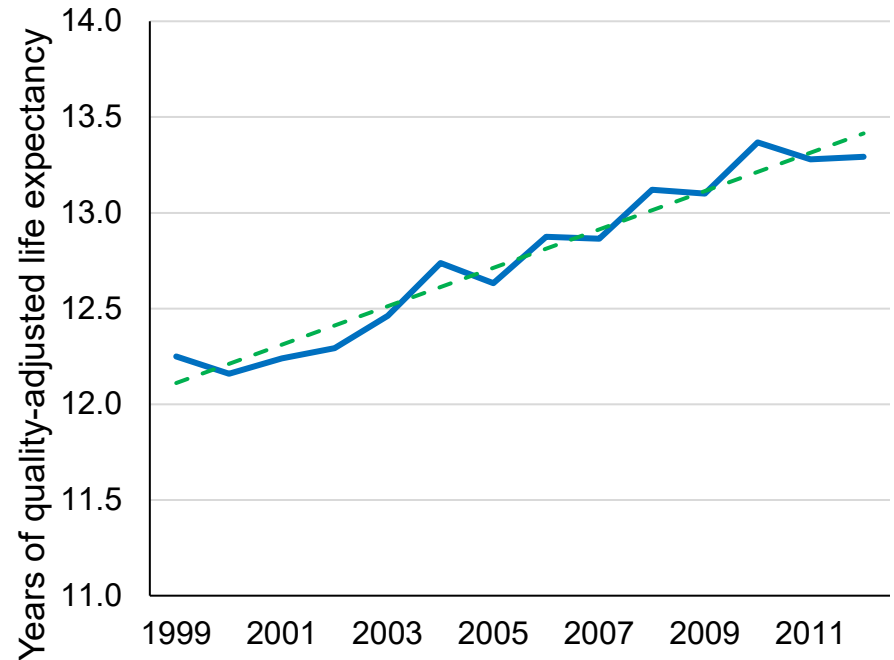
Aggregate evaluation

Real (\$2010) spending per capita



Note: $\$4,800 \times 18 \text{ years} \approx \$85,000$

Quality-Adjusted Life Expectancy at age 65

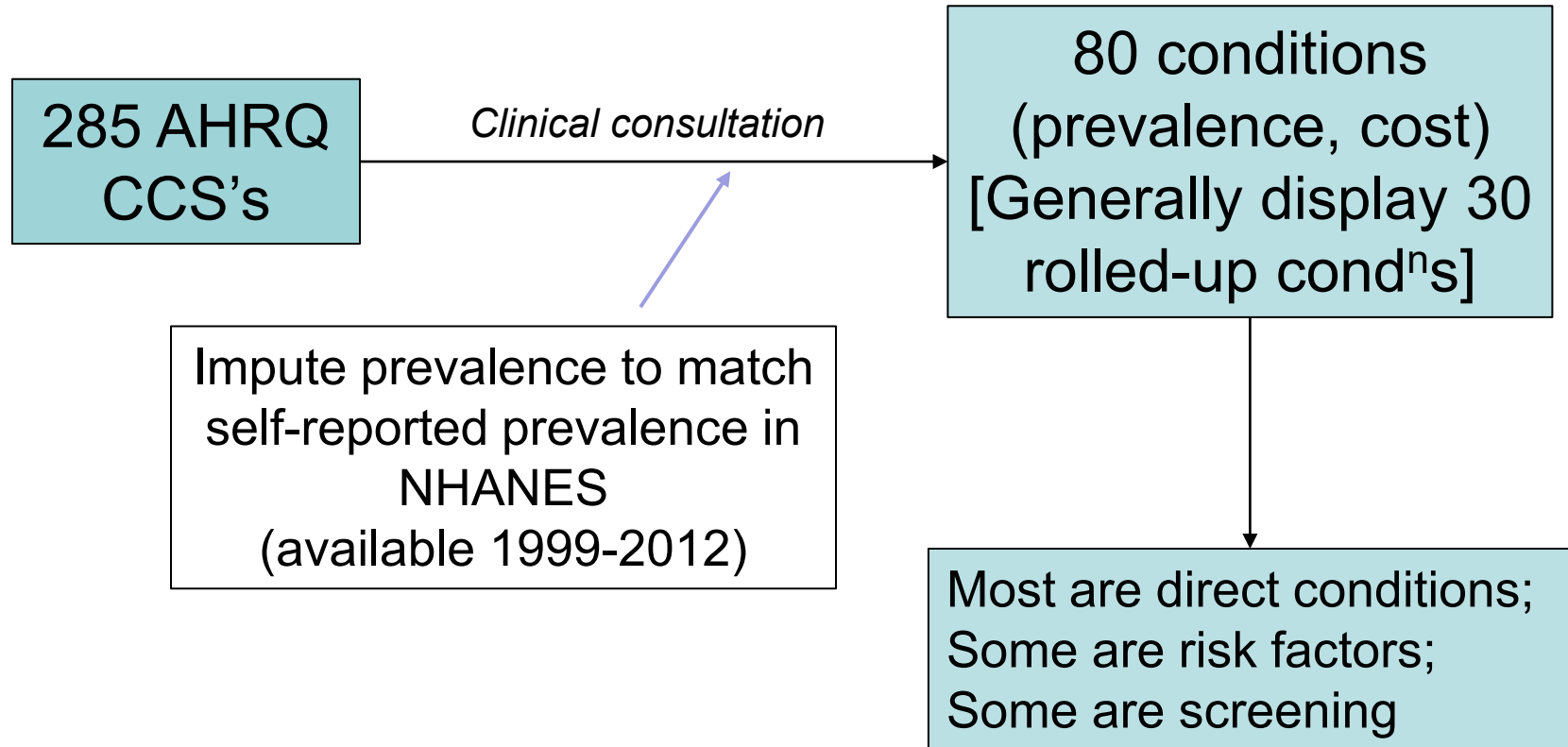


Note: $1 \text{ year} \times \$100,000/\text{year} = \$100,000$

DISAGGREGATING TO CONDITIONS

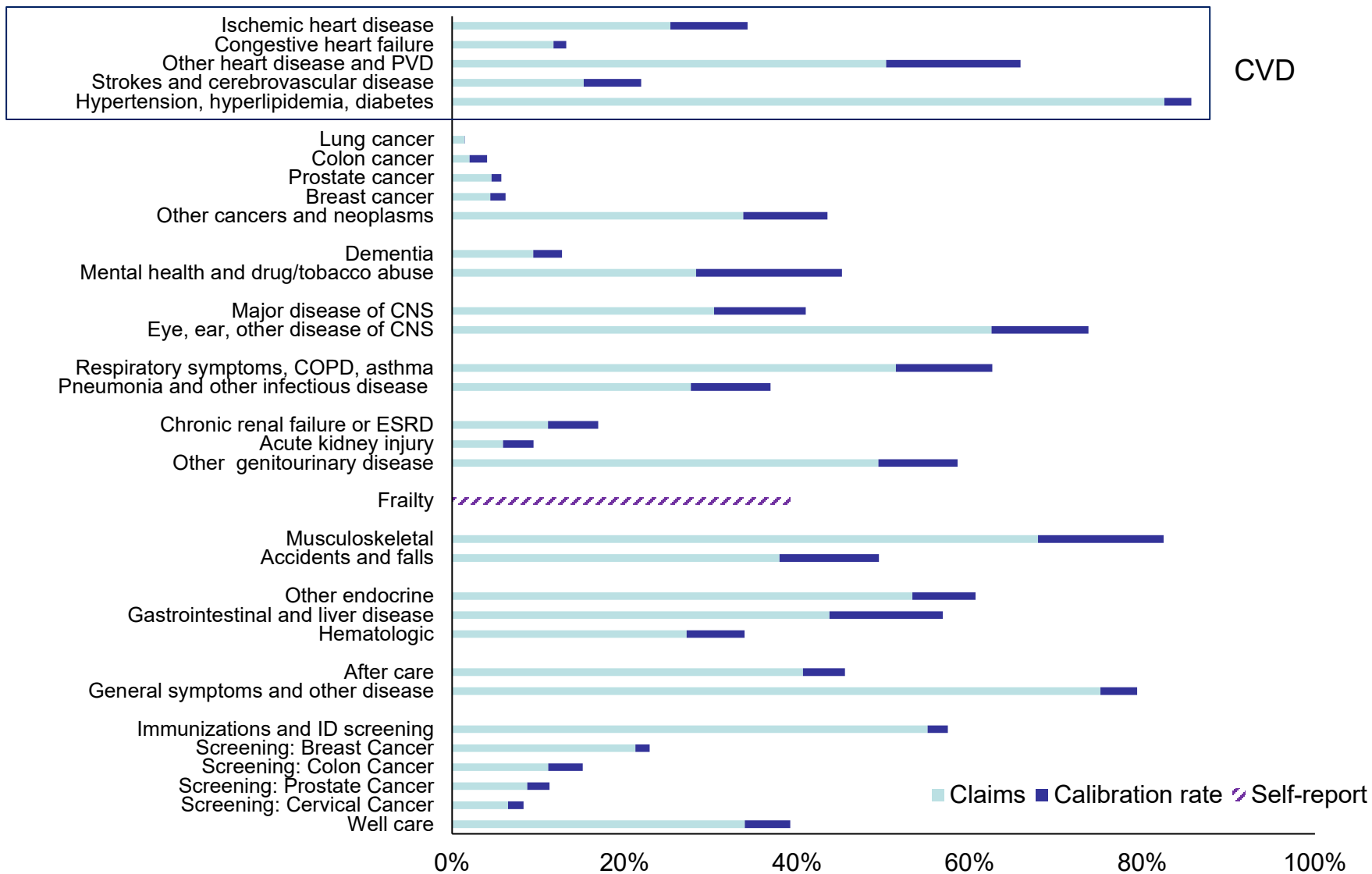
This is hard.

Conditions

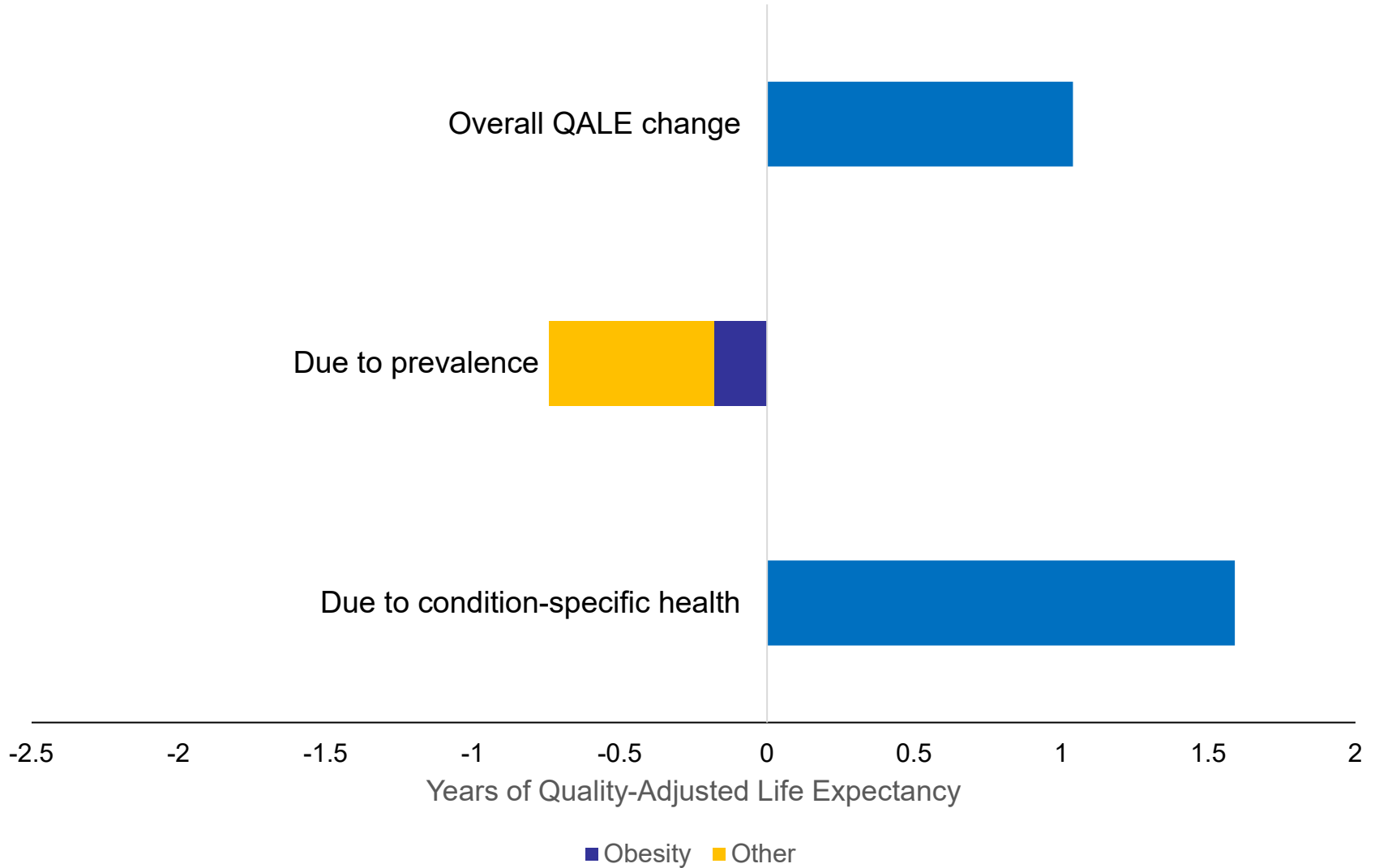


This will vary for different age groups.

Conditions and Prevalence



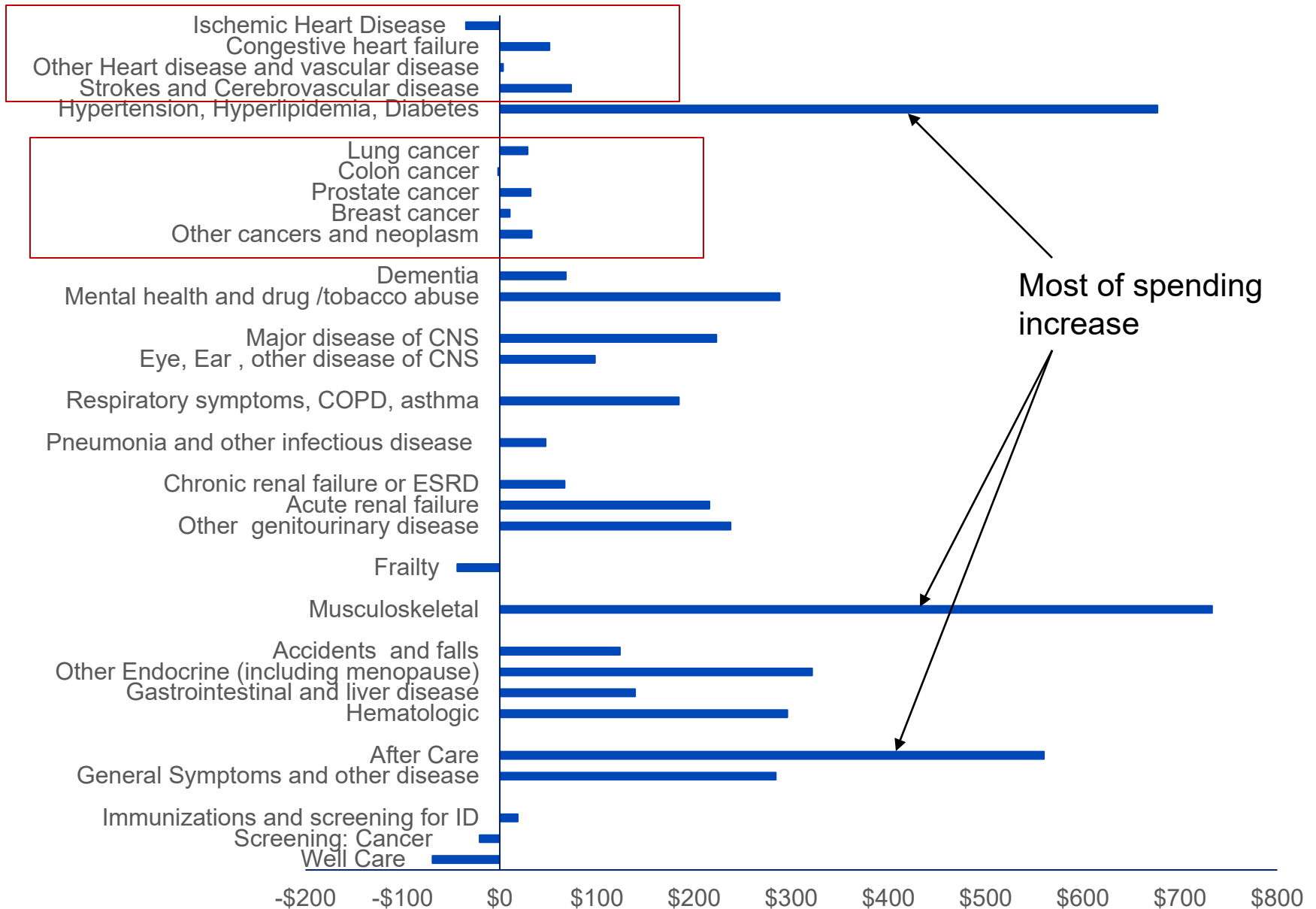
The prevalence of most conditions is rising.



Attributing spending and health outcomes (mortality + QOL) to conditions

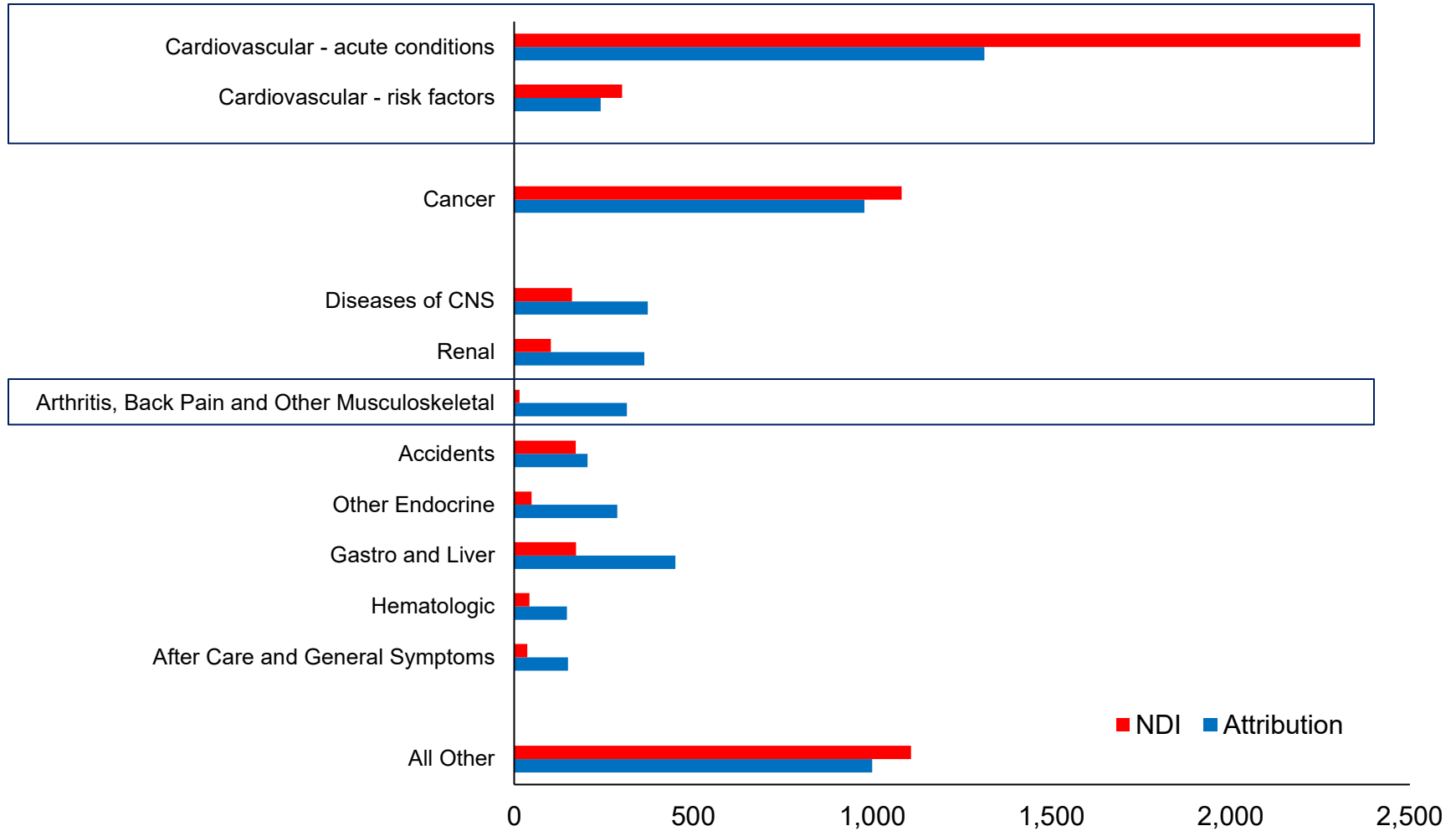
1. Use propensity score to find people with each condition and similar people without the condition
 - Difference between two groups is first pass.
 2. Adjust average and outliers to ensure spending matches national totals and fits wide distribution.
 3. Reallocate spending from final conditions to risk factors (e.g., heart disease → high cholesterol)
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Increase in spending per capita



Cause of death differs greatly between official data and our estimates

Death Rate per 100,000



PRODUCTIVITY ANALYSIS

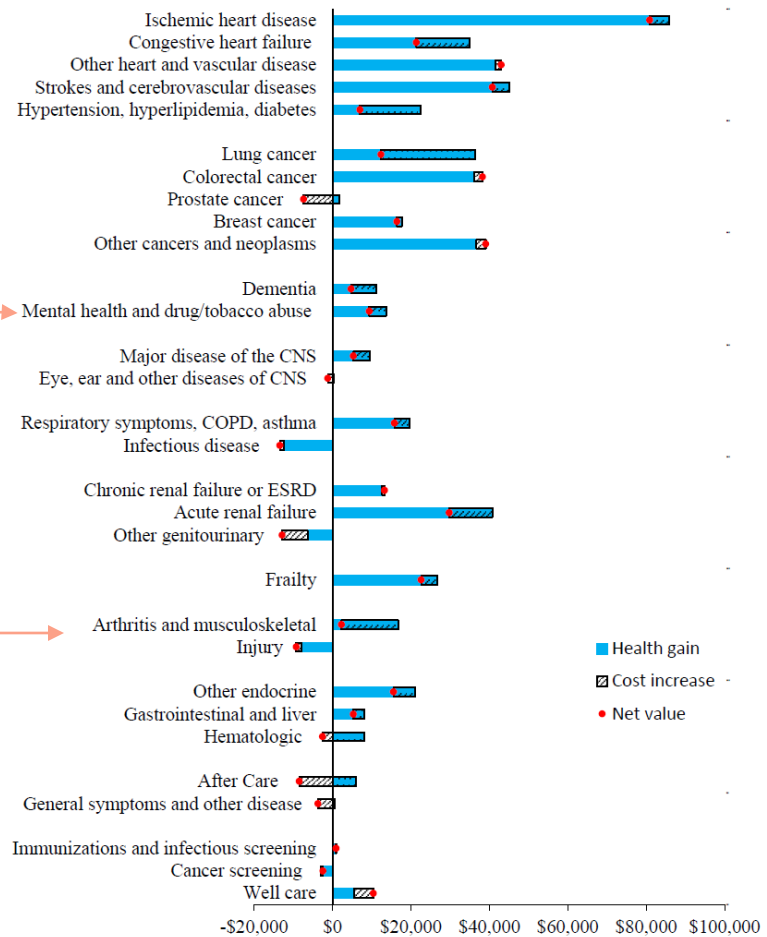
Key productivity assumption

- Medical spending for people with a condition affects QALE for people with that condition but not prevalence of other conditions.
 - E.g. treatment for MI affects MI QALE but not cancer incidence
 - Other than identified risk factors
 - Compare estimates to simulation models
 - CVD: Ford et al.
 - Lung, colorectal cancer from SEER
 - Generally do well.
-

Net value of health improvement

Figure 9: Net Value of Medical Spending Change by Condition, 1999–2012

- Overall benefit is positive ~\$110,000
 - 21%↑, 1.5%/yr
- Largest benefit for cardiovascular disease
- Other benefits in some types of cancers, kidney failure
- Notable failures are mental health and musculoskeletal.



Note: Data are from the Medicare Current Beneficiary Survey with totals matching estimated national spending on the elderly. Spending is in real (\$2010) dollars. The blue bar depicts improvement in health outcomes over the period, expressed in dollars. Health change is the change in QALE attributed to medical care and not changes in the prevalence of the condition. The hatched bar shows the change in medical spending. The red dot shows the net change in productivity estimate, defined as the dollar value of health improvement minus the increase in spending.

Conclusions

- Satellite accounts hold a good deal of promise for understanding the value of medical care and other interventions that affect health.
 - The hardest issue for BEA is likely to be the health outcome part. There are several ways to do this:
 - Empirical measurement (like what is here)
 - Clinical trial estimates
 - Disease simulation models
 - All are worth utilizing
 - My thought: making assumptions isn't bad. Be clear about them.
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