National Health Expenditure Accounts (NHEA)

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What are the NHEA?

The National Health Expenditure Accounts (NHEA) are a system of production-based accounts that estimate total U.S. health care spending by:

• type of service/good consumed
• source of funds and sponsors
• state of residence and states of providers
• age and gender
Other uses of the NHEA

- Tie spending trends to enrollment trends
- Serve as the basis for projecting future spending
  - 10- and 75-year projections
  - Health reform impacts
- Reconcile with other data sources
  - National Income and Product Accounts
  - Household surveys
What does the NHEA measure?

- Current and real dollar expenditures for health care overtime
- What is spent in different health care sectors
- Investments in the structures and equipment used for health care
- What services and goods are being paid for, both by program and by sponsor
- Average spending per person, or per enrollee
- National health expenditure price index
What doesn’t the NHEA measure?

• Prices
• Health welfare
• Individual or household experience
• Tax Expenditures
• Spending by type of disease, episode, code, product, or function
What makes the NHEA useful?

- Estimates are comprehensive, mutually exclusive, multi-dimensional and consistent over time
- Allows policy makers to evaluate Medicare and Medicaid spending relative to other health spending
- Allows for observation of spillover effects across sectors and payers
- Reconciles data sources (program data, government statistical data, private sector data)
- Serves as basis for development of predictive and analytic models
- Allows states to compare spending to each other
- Provides basis for developing projections consistent with official Medicare and Medicaid program projections
Data Sources

• **AHA Annual Survey** for hospital services

• **Service Annual Survey** and **Economic Census** supplemented by other data sources (BLS employment, hours, and earnings series)
  – Physicians’ offices and clinics
  – Dentists’ offices and clinics
  – Other professionals’ offices and clinics
  – Nursing home care
  – Home health care

• **Census of Retail Trade**, supplemented by other data sources (IMS Health, Kline)
  – Prescription drugs
  – Durable Medical Equipment
  – Non-durable goods

• **For Government Programs:**
  – CMS Program data (Medicare Program Data, CMS 64 forms)
  – Federal Budget Data
  – State and local government data

• **For Consumer Spending:**
  – Service Annual Survey
  – Various Trade Associations (AMA, AHA)
  – Government Surveys (such as MEPS, the Consumer Expenditure Survey)
What are the Strengths and Limitations of NHEA data?

• **Strengths:**
  - Benchmarked to data from a census
  - Matrix Format
  - Mutually Exclusive and Exhaustive
  - Macro-level estimates put health spending in context
  - Relevant and Consistent
  - Time Series

• **Limitations:**
  - Only a certain amount of detail
  - Issues with survey data
  - Limited flexibility within the context of a constantly evolving health care sector
Historical National Health Expenditures

National Health Expenditures (NHE) represent the total amount spent in the U.S. to purchase health care goods and services during the year, as well as the amount invested in the medical sector to produce health care services in the future.

• Medical services on an industry (NAICS) basis
• Medical goods on product-line basis
• Sources of funding by consumers (out-of-pocket, private insurance, other) and Federal and State and Local government programs
• Sponsors (Households, Businesses, Governments)
Growth in National Health Expenditures and Gross Domestic Product (GDP), 1985-2011

National Health Expenditures as a Share of Gross Domestic Product, 1985-2011

The Nation’s Health Dollar ($2.7 Trillion), Calendar Year 2011: Where It Went

- Hospital Care: 31%
- Physicians and Clinics: 20%
- Prescription Drugs: 10%
- Dental Services and Other Professionals: 7%
- Prescription Drugs: 10%
- Government Administration and Net Cost of Health Insurance: 7%
- Investment: 6%
- Nursing Care Facilities and Continuing Care Retirement Communities: 6%
- Other Medical Products: 3%
- Government Public Health Activities: 3%
- Home Health Care: 3%
- Other Health, Residential, and Personal Care: 3%
- Other: 5%
- Other: 14%

1 Includes Research (2%) and Structures and Equipment (4%).
2 Includes Durable (1%) and Non-durable (2%) goods.
3 Includes expenditures for residential care facilities, ambulance providers, medical care delivered in non-traditional settings (such as community centers, senior citizens centers, schools, and military field stations), and expenditures for Home and Community-based Waiver programs under Medicaid.

Note: Sum of pieces may not equal 100% due to rounding.

The Nation’s Health Dollar, Calendar Year 2011: Where It Came From

Health Insurance 73%

Private Health Insurance 33%

Medicare (Title XIX) State and Local 6%

Medicaid (Title XIX) Federal 9%

Medicaid (Title XIX) State and Local 6%

Medicare 21%

Out-of-pocket 11%

Investment 6%

Government Public Health Activities 3%

Other Third Party Payers and Programs 7%

VA, DOD, and CHIP (Titles XIX and Title XXI) 4%

1 Includes worksite health care, other private revenues, Indian Health Service, workers’ compensation, general assistance, maternal and child health, vocational rehabilitation, Substance Abuse and Mental Health Services Administration, school health, and other federal and state local programs.

2 Includes co-payments, deductibles, and any amounts not covered by health insurance.

Note: Sum of pieces may not equal 100% due to rounding.

Distribution and Annual Growth by Type of Sponsor

Distribution of National Health Expenditures by Type Of Sponsor, 2007 and 2011

- **State and local government**: 18% in 2007, 17% in 2011
- **Federal government**: 23% in 2007, 28% in 2011
- **Other Private Revenues**: 7% in both 2007 and 2011
- **Households**: 29% in 2007, 28% in 2011
- **Private Business**: 23% in 2007, 21% in 2011

Note: Sum of pieces may not equal 100% due to rounding.

Annual Growth in Spending by Sponsor, 2007 - 2011

- **State and Local Government**
- **Federal Government**
- **Private Business**
- **Households**

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group;
State Health Expenditures

State Of Provider:
• Aligns spending with the States that are providing the services.
• Useful for determining the percentage of a State’s economy that is spent on health care.

State of Residence:
• Aligns spending with the residents of a State.
• Adjusts spending that occurs by residents crossing State boundaries to receive health care services.
• Useful for comparing State spending on a per capita basis.
Personal Health Care Spending Per Capita, By State of Residence, 2009

U.S. Per Capita: $6,815

Health Expenditures by Age and Gender

Useful for providing benchmarks of the mix of health care users by age and for studying policy implications surrounding future impacts of an aging population.
Personal Health Care Spending by Age: Where It Came From, 2004

Children
(Ages 18 and under)

- Medicaid: 31%
- OOP: 13%
- PHI: 41%
- Other Priv: 5%
- Other Pub: 10%

Average per capita PHC spending: $2,650

Working-age Adults
(Ages 19 to 64)

- Medicare: 16%
- PHI: 48%
- Other Priv: 5%
- Other Pub: 9%
- OOP: 16%

Average per capita PHC spending: $4,511

Elderly
(Ages 65 and over)

- Medicare: 49%
- PHI: 16%
- Other Priv: 2%
- Other Pub: 4%
- OOP: 15%

Average per capita PHC spending: $14,797

Personal Health Care Spending: Where It Went, 2004

Children
(Ages 18 and under)

- Physician: 28%
- Hospital: 38%
- Drugs: 8%
- Nursing Home: 3%
- All Other: 5%
- Dental: 12%
- Other Professional: 3%
- Other Personal: 7%

Working-age Adults
(Ages 19 to 64)

- Physician: 28%
- Hospital: 36%
- Drugs: 14%
- Nursing Home: 3%
- All Other: 8%
- Dental: 6%
- Other Professional: 3%
- Other Personal: 4%

Elderly
(Ages 65 and over)

- Physician: 20%
- Hospital: 37%
- Drugs: 10%
- Nursing Home: 17%
- All Other: 2%
- Home Health: 4%
- All Other: 9%
- Nondurables: 3%

Upcoming NHEA Products

- September 2013 - National Health Expenditures Projections, 2012-2022

- Fall 2013 – Modeling Per Capita State Variation

- Fall 2013 – State Private Health Insurance 2001 - 2009


Data Challenges

• **Current Challenges**
  – Employer-sponsored health insurance
    • Self-Insured
  – High Deductible Plans

• **Future Challenges**
  – Uncertainty about data sources 2014 and beyond
  – Affordable Care Act
    • Marketplaces
    • Enrollment
    • Subsidies
    • Measuring prices as coverage changes
  – Changes to the health care delivery system
Conclusions

1. Estimates are mutually exclusive, exhaustive, multidimensional and consistent overtime, which allows several different cuts of the data to be examined and trends and changes in services and funding to be viewed over time.

2. The NHEA provide a comprehensive representation of all economic activity within the health care sector.

3. As a result of their layout and structure, the NHEA capture the “balloon” effects within various health care sectors and among the different sources of funds overtime.

4. While a multitude of strengths exist in the NHEA, there are several limitations in what they can be used for and what they can measure. It is extremely important to understand both the strengths and limitations of these data before proceeding with any type of analysis using the NHEA.