Submission for NBER conference, Evaluating Health Care Spending: Progress and Gaps in the Health Care Statistical Infrastructure

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"Calculating Disease-Based Medical Care Expenditure Indexes: Evidence from Medicare Claims"

The National Research Council's Panel to Advance a Research Program on the Design of National Health Accounts recommended that government statistical agencies investigate methods for allocating expenditures to diseases for the purposes of reforming price indexes for health care (NRC 2010). Following this recommendation, much research has been conducted recently to explore different methods for dividing health care expenditure data by illness with different datasets. This paper will fill out that literature by calculating a price index for fee-for-service Medicare beneficiaries in which expenditures are divided up with commercial grouper software applied to a 5% sample of Medicare fee-for-service claims from 2000 through 2005. Results will be compared to and hopefully reconciled with previous results on the commercially insured (Aizcorbe and Nestoriak 2011, Dunn et al. 2010, Aizcorbe et al. 2011) and on Medicare beneficiaries with the Medicare Current Beneficiary Survey (Hall and Highfill 2012).

In addition, a price index will be calculated for a subset of beneficiaries who account for a disproportionate share of Medicare spending, namely those who are in their last year of life. This index should shed light on which conditions contribute to end-of-life spending and by how much, as well as how the composition of this spending changes over time. The resulting implications for the productivity of Medicare end-of-life spending will be discussed.

References

Aizcorbe, A., R. Bradley, B. Herauf, R. Kane, E. Liebman, S. Pack and L. Rozental, "Alternative Price Indexes for Medical Care: Evidence from the MEPS Survey." BEA Working Paper (WP2011-01)

Aizcorbe, A. and N. Nestoriak, "Changing Mix of Medical Care Services: Stylized Facts and Implications for Price Indexes." Journal of Health Economics, Volume 30, Issue 3, May 2011, Pages 568-574.

Hall, A. and T. Highfill, "A Regression-Based Medical Care Expenditure Index for Medicare Beneficiaries", working paper October 2012.

National Research Council, "Accounting for Health and Health Care", The National Academies Press, Washington, DC 2010.