Overview

Daniel R. Waldo

Interest in accurate and consistent measurement of health spending has never been more widespread. Whether at the national, subnational, or international level, policy analysts face tough questions about health care financing—as Manfred Huber puts it in his article in this issue, "recurrent concerns regarding the adequacy of resources; the way they are used; and how best to increase the equity, efficiency, and effectiveness of health care." In order to evaluate policies properly, one must have a consistent way to estimate the level of—or change in—spending that results. The articles in this issue of the *Review* treat the subject of measurement of health expenditure: how to do it, how to improve it, and what to do with the results.

The increasing importance of non-government funds in financing health care, especially outside North America and western Europe, has contributed directly to the spread of interest in health accounting in two ways. First, engagement of World Bank and U.S. Agency for International Development funds in health sector reforms around the world has led these organizations to demand information that allows systematic evaluation of program success, and that information relies upon consistent and comparable estimates of health care spending. Second, movement away from central planning and funding of health care—either intentionally or as a result of dwindling central government resources—has shifted spending onto households and private sector firms, for which existing data collection mechanisms are typically inadequate, if not absent.

The result is a veritable explosion of health accounts projects. Participants in an international symposium on national health accounts, held in conjunction with the 1999 International Health Economics Association meeting, heard papers delivered on developments in health accounting in dozens of countries as diverse as China, India, Mexico, South Africa, and Egypt. The Pan-American Health Organization is sponsoring a major project to produce consistent accounts across Latin America and the Caribbean, and efforts are underway to create consortia of health accountants in sub-Saharan Africa and Asia. Coupled with an intense effort to revamp the European standard for health accounts, these efforts represent a truly global movement to a commonly accepted system of measurement.

The term "health accounts" itself has undergone refinement over time. In his article in this issue, Berman chronicles the development of health accounts as they are commonly construed: a matrix approach to the display of expenditure figures that can be expanded to include other economic aspects of the health sector. This approach to measuring spending has two major strengths. First, it imposes a rigor on the analyst similar to that imposed by double-entry bookkeeping. Second, by including the entire range of health spending—not just spending by the Ministry of Health or just spending for hospital care, for example—the patterns and relationships in spending become much more clear.

Daniel R. Waldo is Acting Director, Office of Strategic Planning, Health Care Financing Administration (HCFA). The views expressed in this article are those of the author and do not necessarily reflect the views of HCFA.

The aims of health accounts have always been rather explicit. In the words of Michael Bruno of the World Bank, "When economists face a problem, they are expected to examine all the relevant data in a sensible way. That does not always mean having an econometric model in mind or a fully articulated formal model. It means thinking in a systematic way—why, how, and for what purpose are we analyzing a particular country, program, policy, sector, or project? It means aiming at a deeper level of understanding, not just laying out a heap of numbers or presenting up-and-down-type descriptions" (Preker, Brenzel, and Ratta, 1999). Following from those thoughts, accounts should have three goals: relevance to the needs of the policymakers who have commissioned them, intertemporal consistency, and trans-border consistency.

The first set of articles in this issue arose from a conference held in the United States to assess the U.S. national health accounts. The U.S. accounts date back to 1964 (Reed and Rice, 1964), when health was spun off from a broader set of accounts of social welfare spending as interest in national health insurance reached a cyclical high. The U.S. accounts were inherited from the Social Security Administration by HCFA, where they are maintained today. Over the years, three conferences have been convened to review the accounts and to make suggestions for changes and improvements. Huskamp and Newhouse provide an overview of this process in their article, as well as specific recommendations from the third conference. Thorpe addresses the issue of policy relevance; Long, Marquis, and Rodgers examine the potential for consistent State-level estimates. Berman's article treats the expansion of health accounting beyond developed countries to developing countries, showing the importance of thinking through the purposes to which the accounts will be put and the way in which accounts impose an intellectual discipline on their users.

Associating concept with execution, this issue of the *Review* also includes U.S. national health expenditure estimates. Cowan and colleagues present estimates for 1998 and earlier years, while Smith and colleagues present projections of spending over the next 10 years.

The second group of articles comprise a sampling of the work that is being done in accounts here in the United States and elsewhere in the world. Blewett, Sonier, Gustafson, and Leitz present a very instructive case study of the development of subnational accounts, in this case State-level estimates in the United States. Their work shows the types of data challenges that can confront policy analysts and policymakers, even in a country with a strong tradition of data collection. The practical importance of this work is borne out in the article by Gage, Moon, and Chi: one-size-fits-all policies don't work, even within national borders. Populations differ from region to region, resulting in different emphases on financing and delivery mechanisms, and estimates of health spending need to reflect these differences. Huber presents the most recent numbers on health expenditure from the accounts coordinated and maintained by the Organization for Economic Cooperation and Development (OECD). Given the interest in reforming the financing of health care in the United States, the experience from other countries is well worth exploring; even in those countries that differ in socioeconomic and demographic composition, the interplay of political and economic structures can yield information. Huber also introduces the recently released OECD manual for developing health accounts, which should go a long way to encouraging standard presentations

across countries. One of the recommendations in the OECD manual is an emphasis on the disaggregation of spending along the lines of disease, and Hodgson and Cohen show in their article how this can be done even in the United States, where there is no central and all-inclusive data base from which to draw.

This issue also includes short presentations related to the issue of health care financing and delivery. Health Care Indicators reports statistics related to employment and prices in the health sector, and MCBS Highlights looks at health spending by Medicare enrollees. Finally, a new feature called Medicare & You relates findings drawn from Medicare enrollees through the beneficiary outreach and education efforts of HCFA.

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Reprint Requests: Daniel R. Waldo, Acting Director, Office of Strategic Planning, Health Care Financing Administration, 7500 Security Boulevard, C3-20-11, Baltimore, MD 21244-1850. E-mail: dwaldo@hcfa.gov