

## **Summary of 2014 Comprehensive Revision to the National Health Expenditure Accounts**

The U.S. National Health Expenditure Accounts (NHEA) is an accounting matrix that presents health spending along two dimensions: spending for health care goods and services and the programs and other payers that purchase those goods and services.<sup>i</sup> To keep these accounts accurate and relevant, the scope, methods, and data sources used are periodically reexamined. Every five years the NHEA undergoes a comprehensive revision that includes the incorporation of newly available source data, methodological and definitional changes, and benchmark estimates from the U.S. Census Bureau's quinquennial Economic Census.<sup>ii</sup> During these comprehensive revisions, the entire NHEA time series is opened for revision. This document summarizes the changes in methods, definitions, and source data that were introduced for the 2014 comprehensive revision of the NHEA estimates.

In aggregate, the comprehensive revision and other routine revisions resulted in decreased spending in 2012 by \$18.3 billion. The largest downward revisions were to structures and equipment (-\$10.9 billion), retail prescription drugs (-\$5.3 billion), and nursing care facilities and continuing care retirement communities (-\$3.8 billion). The largest upward revisions were to hospital care (\$4.1 billion) and durable medical equipment (\$2.4 billion).

### **Incorporation of data from the Economic Census**

The NHEA categories of physician and clinical services, home health care, nursing care facilities and continuing care retirement communities, dentists, other professional services, and part of the other health, residential, and personal care category were all benchmarked to revenue estimates from the 2012 Economic Census. Spending for years between the 2007 and 2012 Economic Census data were interpolated using data from the Census Bureau's Service Annual Survey. Merchandise line sales estimates from the 2012 Economic Census of the retail sector were incorporated into the prescription drug estimates.

### **Types of Services and Goods**

**Hospitals:** The non-federal hospital spending estimate was benchmarked to the 2007 and 2012 spending levels from the American Hospital Association (AHA) Annual Survey. Growth for the intervening years (2008 – 2011) was estimated based on public program data and private spending trends from the AHA Annual Survey and the Census Bureau's Service Annual Survey. Federal hospital spending levels were revised up due to a reclassification of some Veterans Administration spending as hospital spending rather than other health, residential, and personal care spending.

**Physician and Clinical Services:** The physician and clinical services estimate was benchmarked to the 2012 Economic Census and a new method of estimating professional fees was developed using data from the Medical Group Management Association. Additionally, revised revenue data for non-employer firms were incorporated into the estimate.

**Dental Services:** The dental services estimate was benchmarked to the 2012 Economic Census and revised revenue data for non-employer firms were incorporated.

**Other Professional Services:** The other professional services estimate was benchmarked to the 2012 Economic Census and revised revenue data for non-employer firms were incorporated.

**Other Health, Residential, and Personal Care:** The residential care estimates were benchmarked to the 2012 Economic Census. Additionally, some Veterans Administration spending previously classified as other health, residential, and personal care was reclassified as hospital care spending.

**Home Health Care:** The home health care estimate was benchmarked to the 2012 Economic Census and revised revenue data for non-employer firms were incorporated.

**Nursing Care Facilities and Continuing Care Retirement Communities:** The nursing care facilities and continuing care retirement communities estimate was benchmarked to the 2012 Economic Census and revised revenue data for non-employer firms were incorporated.

**Prescription Drugs:** Retail prescription drug estimates were revised from 2008 to 2012 due to the incorporation of data from 2012 Census of Retail Trade.

**Durable Medical Equipment (DME):** Revisions to total DME spending reflect the addition of durable medical equipment rental fees for 2007 through 2013.

### *Investment*

#### **Structures and Equipment:**

For the private structures estimate, revised data from the Annual Capital Expenditure Survey (Census) was incorporated for 2012. For private equipment, the estimates were corrected to remove double counted software back to 1998. Additionally, the public investment estimates were revised to incorporate updated source data from the National Income and Product Accounts (Bureau of Economic Analysis).

#### **Types of Payers**

##### *Health Insurance*

**Medicaid:** A new method for allocating Medicaid managed care premiums to the goods and services categories was incorporated for states that have a large percentage of Medicaid managed care spending. Data from the AHA Annual Survey, Medical Expenditure Panel Survey, Medicaid Analytic Extract (MAX), and the Medicaid Drug Rebate System were used to supplement data from the CMS-64 forms. This change caused a downward revision for hospitals and home health and an upward revision for other service categories.

**Department of Defense (DOD):** DOD spending in the NHEA excludes spending that occurs outside of the United States. The DOD estimate was revised to incorporate new data for U.S.-only spending obtained directly from the DOD Medical Expense & Performance Reporting System (MEPRS) data.

*Other Third Party Payers*

**Maternal and Child Health (MCH):** The MCH estimates were revised from 1989 forward to reflect an improved estimate of spending for the state of California. The new methodology uses reported data to replace an adjusted estimate.

**Indian Health Service (IHS):** The IHS estimates were revised from 1980 forward to reflect an improved method for converting IHS obligations to outlays.

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<sup>i</sup> For a full description of what is contained in the National Health Expenditure Accounts see: Definitions, Sources and Methods: <http://www.cms.gov/NationalHealthExpendData/downloads/dsm-14.pdf>

<sup>ii</sup> The Economic Census provides a detailed portrait of the economy once every five years.