Summary of the 2024 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 payers that purchase those goods and services.[1] 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 the benchmarking of estimates to the U.S. Census Bureau's quinquennial Economic Census (which are available in years ending in "2" and "7").[2] 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 incorporated for the 2024 comprehensive revision of the NHEA estimates.

In aggregate, national health spending in 2022 is $60.8 billion, or roughly 1.3 percent, higher than previously reported. Changes related to the comprehensive revision increased spending by $64.8 billion in 2022, while more routine revisions due to more recent and updated source data reduced spending by $4.0 billion.

The largest upward revisions to the goods and services estimates for 2022 were to Physician and Clinical Services ($46.1 billion) and Other Health Residential and Personal Care ($20.2 billion). The largest source of funds upward revisions were to private health insurance ($44.8 billion) and out-of-pocket expenditures ($20.4 billion). The largest downward revisions were to Hospital Care (-$19.3 billion) and retail prescription drug spending (-$12.9 billion).

Services and Goods

Incorporation of the Economic Census: The following services were benchmarked to revenue data from the 2022 Economic Census Geographic Area Series[3]:

- Hospital Care
- Physician and Clinical Services
- Other Professional Services
- Dental Services
- Other Health, Residential, and Personal Care
    - Residential Care
    - Ambulance
- Home Health Care
- Nursing Care Facilities and Continuing Care Retirement Communities

Spending for years between the 2017 and 2022 Economic Census data were interpolated using estimates from the Census Bureau's Service Annual Survey.

Incorporation of the Census of Retail Trade:

- Retail Prescription Drugs-Estimates were benchmarked to merchandise line sales data from the 2022 Census of Retail Trade.

Physicians Professional Fees: In the NHE, an estimate of physician professional fees is removed from the physician and clinics estimate to avoid double counting since these payments come from other health care providers. These fees include revenue for medical administration and other administrative services, incentive payments, management fees, and medical director fees. An improved method for estimating these fees using data from the Economic Census and Services Annual Survey was incorporated. For 2017, the estimate was benchmarked to "revenue from health care providers for non-patient care" from the Economic Census for NAICS 6211. This level was interpolated back to 2015 and extrapolated forward to 2022 using similar data from Census Bureau's Service Annual Survey (SAS) and wedged back to 1993 (AMA data-based estimate).

Retail Prescription Drugs: The estimate of retail prescription drug spending was revised from 2011 through 2023 and reflected three changes. First, the estimates were benchmarked to the 2022 Census of Retail Trade, causing revisions for 2018 through 2022. Second, estimates of retail prescription drug out-of-pocket spending were revised for 2013 through 2023 due to the incorporation of an improved method of estimating co-payments for cash payers, Medicare, Medicaid, and private health insurance. This new method relies on Medicare program data and survey data that reflects consumer purchases, and it replaced our prior method of estimating copay percentages. Finally, for 2017 through 2023, the private pharmacy rebate estimate (which, along with private manufacturer rebates, is subtracted from the estimate of total prescription drug revenue) was revised due to a change in the assumption about the relationship of these rebates for private health insurers relative to Medicare pharmacy rebates.

Durable Medical Equipment: The estimate for 2013–2022 was benchmarked to the 2017 Economic Census and revised data from Personal Consumption Expenditure (PCE) bridge tables were incorporated.

Payers

While the Economic Census is not directly used to estimate health care spending by payer, the revisions to aggregate spending from benchmarking health care goods and services to the Economic Census do impact the private payer estimates. Specifically, spending by public payers is subtracted from aggregate spending to produce a residual, which is then allocated to Private Health Insurance, Out-of-pocket spending, and other private revenue. Therefore, all else equal, changes in the total spending could impact any of the spending in the residual. Notably for 2022, the large upward revisions to private health insurance and out-of-pocket spending for physician and clinical services mostly reflect the revision to total physician and clinical services spending associated with benchmarking to the 2022 Economic Census.

Health Insurance

Net Cost of Health Insurance: Changed the name from "Net Cost Ratio" to "Health Insurance Non-Medical Ratio". This ratio will continue to represent administrative costs, taxes, fees, and

underwriting gains and losses as a share of total private health insurance expenditures. Additionally, the NHEA will feature a new ratio called "Medical Goods and Services Ratio" that reflects the share of total private health insurance expenditures accounted for by medical benefit spending.

Benefits	N/A	Medical Goods and Services Ratio
Non-Benefit Expenses and Profits	Net Cost Ratio	Non-Medical Ratio

Private Health Insurance: Directly incorporated CMS marketplace plan data into the Private Health Insurance estimate

Medicare: The Medicare expenditure estimates reflect two changes that were incorporated for this comprehensive revision.

> **Private Plans:** Incorporated an improved method for distributing Medicare private plan expenditures using Medicare Advantage Encounter Data to more accurately distribute Bid Pricing Form (BPT) data for outpatient facility spending among hospitals and physicians and clinical services.
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> **Alignment with Census data:** Improved the alignment of Medicare fee-for-service and private plan Medicare expenditures with the Census definitions (NAICS based) for hospitals and physician and clinical services. The Medicare hospital estimates were reduced to account for hospital spending that occurred off-campus, and these expenditures were moved to physician and clinical services category.

Medicaid:

> **Private Plans** The distribution of Medicaid managed care spending across health care goods and services was refined beginning in 2017 and, where appropriate, extrapolated to prior years. Data from the Transformed Medicaid Statistical Information System Analytic Files (TAF) was used to allocate Medicaid Managed care spending for 2017 forward and supplemented with 2017 Economic Census Health Care and Social Assistance: Revenue by Type of Payer for the US and States. Carve-out[4] services, which are included within fee-for-service, were reviewed to ensure spending was not included in the service distributions applied to Medicaid managed care spending. These adjustments to managed care allocation affected only service-level estimates and did not alter total Medicaid expenditures.
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> **Durable Medical Equipment:** Develop TAF-based DME estimates (2015-23) and merged series with Medicaid Analytic eXtract data (MAX) based estimates.

Additional Publicly Available data

Table 25: Added a new table that shows expenditures by type of insurer including total, medical, and non-medical expenditures for private health insurance, Medicare private plans, Medicaid managed care, CHIP managed care, property and casualty insurance, and workers compensation.

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[1] For a full description of what is contained in the National Health Expenditure Accounts see: Definitions, Sources and Methods: https://www.cms.gov/files/document/definitions-sources-and-methods.pdf

[2] The Economic Census offers a comprehensive snapshot of the nation's economy every five years.

[3] For information on the 2022 Economic Census see https://www.census.gov/programs-surveys/economic-census.html

[4] A Medicaid carve-out is when services are separated from a comprehensive Medicaid managed care plan and managed or paid for through a different arrangement, often the traditional fee-for-service system.