

Appendix D: Method of the Study

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This background paper is published as part of the Office of Technology Assessment's (OTA) study *Understanding the Estimates Under Health Reform*. OTA recently published its main report, *Understanding Estimates of National Health Expenditures Under Health Reform* (U.S. Congress, OTA, 1994), which focuses on the assumptions analysts used in their estimates of the national health expenditures under various reform proposals.

This particular background paper evaluates major areas of disparities and potential sources of variations in analysts' estimates of the federal budget effects of key reform provisions. Specifically, this paper uses three different estimates of the Health Security Act to discuss the major determinants that may account for the differences across analysts' estimates. To summarize the method used for this paper, this appendix divides the report's development into four sections: focus of the study, research, analysis, and review. These sections overlap to some extent and are not strictly chronological.

FOCUS OF THE STUDY

The study was requested in August 1993 by OTA's Technology Assessment Board and Senator Ted Stevens in response to findings in a June 1993 OTA report, *An Inconsistent Picture: A Compila-*

tion of Analyses of Economic Impacts of Competing Approaches to Health Care Reform by Experts and Stakeholders. Members of the Technology Assessment Board and Senator Stevens expressed concern over the wide array of estimates of the economic impact of health reform as outlined in *An Inconsistent Picture*, and requested OTA to do a followup study to assist policy makers in understanding why estimates are so variable. The Technology Assessment Board approved the study in July 1993, and OTA staff began working on the project in August 1993.

OTA assembled an advisory panel to assist in determining what issues and materials to consider in examining economic and budgetary estimates of reform proposals. The 14 individuals on the panel represented a variety of perspectives and had expertise in health policy, health economics, quantitative analysis, economic models, macroeconomics, health care delivery, and health systems of foreign countries (see listing at the front of this report). Joseph Newhouse, the John D. MacArthur Professor of Health Policy and Management at Harvard University, chaired the advisory panel.

To determine the critical elements in analysts' estimates of federal budget effects associated with specific reform provisions, OTA staff carefully

examined documentation of available analyses. Because estimates of federal budget effects under the health reform are very sensitive to the specific provisions that define the federal government's involvement in providing health care and insurance, OTA staff studied only estimates of specific health reform proposals from the 103d Congress. OTA staff also spoke to analysts, attended briefings, attended relevant congressional hearings, and attended conferences on health reform to understand how specific reform provisions might affect the federal budget and the major determinants of analysts' estimates. On January 15, 1994, OTA started its research and analysis of various estimates of the federal budget effects under health reform.

RESEARCH

OTA'S research for this background paper relied mainly on an examination of available documentation on analyses of health reform proposals. On numerous occasions, OTA staff also contacted analysts for further clarification and explanation. OTA staff members met with representatives from the Agency for Health Care Policy and Research, the Congressional Budget Office, the Department of the Treasury, the General Accounting Office, Hewitt Associates, Lewin-VHI, Mathematical Policy Research, Inc., the Office of Management and Budget, the Office of the Assistant Secretary for Health, the Urban Institute, the American

Academy of Actuaries, and the Wyatt Company. OTA staff spoke with representatives from the Health Care Financing Administration, the Economic and Social Research Institute, and the Economic Policy Institute.

OTA also commissioned contractor papers to assist in analyzing relevant issues and limitations in the budget estimation process. OTA convened a workshop of the contractors on October 1, 1993, to discuss the relation of the various contractor papers to the study as a whole. Many of the contractor papers were reviewed externally; some will be available from the National Technical Information Service (NTIS). See table D-1 for a list of contractor papers related to the estimates of federal budget effects under health reform.

ANALYSIS

In its paper, OTA first proposed a framework to examine how federal expenditures and receipts are likely to be affected by reform provisions that either expand or limit the federal government's presence in the health care market. Based on the framework, OTA used various estimates of the Health Security Act (H. R.3600/S.1757) to illustrate how estimates of federal budget effects under health reform might differ and what factors would most likely contribute to the differences in analysts' estimates. OTA's analysis, however, is hampered by its limited access to analysts' models. With a few exceptions, analysts provided only a

TABLE D-1: Contract Papers Prepared for the
Understanding Estimates of Federal Budget Effects Under Health Reform Paper

Kathryn Langwell, Ph. D., KPMG Peat Marwick, Washington, DC, "Employment Effects of Health Reform, "(June 1994,

Lynn C. Parlinger, Ph. D., California State University at Hayward, Hayward, California, "Assessing the Assumptions Behind Definitions, Projections, and Uses of Baseline National Health Expenditures, " June 1994.

● **Eugene Steuerle, Ph. D.**, The Urban Institute, and Sally Wallace, Ph D , Georgia State University, "Projecting the Impact of Health Reform on the Federal Budget. A Summary of the Estimation Process and Its Limitations, " January 1994 (NTIS #PB94-181021)

Cynthia Sullivan, Ph. D., Sullivan Research Services, Chicago, Illinois, "Strengths and Weaknesses of Employer Health Benefits Surveys as Inputs to Microsimulation Modeling of the Effects of Health Reform on National Health Expenditures, " December 1993.

NOTE Asterisks indicate those papers available from National Technical Information Service, Springfield, VA, (703) 487-4600.

general description of their methodology, and little information regarding the input data and estimation steps they used in their models.¹ In most instances, OTA could only analytically infer the major factors that may have contributed to the differences in estimates based on its understanding of the general methodology used by different analysts.

REVIEW

Upon completion of the draft paper, OTA sent the manuscript to the study's advisory panel and relevant outside experts (see appendix A). Reviewers included members of organizations whose analyses were examined in this paper, as well as individuals from academia, think tanks, private con-

sulting firms, public interest groups, the health insurance industry, congressional support agencies, and the executive branch. Reviewers' comments and critiques were incorporated where appropriate.

The OTA staff that prepared this report received assistance from other OTA staff members. Meetings were held with a "shadow panel" consisting of OTA staff from other programs with particular expertise and interest in methods and approaches to estimating the economic effects of health reform. Members of this panel provided helpful comments and critiques of the analytical approach adopted by this paper. The final draft of the report was sent to the Technology Assessment Board on June 25, 1994.

¹ Typically, federal agencies responsible for budget estimate (e.g., Treasury, Office of Management and Budget, Congressional Budget Office, and Joint Committee on Taxation) do not make available to the public information regarding the methodology behind estimates of major pieces of legislation. Relative to the norm, federal analysts have provided more information regarding the methodology used in estimating the effects of health care reform. However, most of the information released so far is a description of general methodology, which usually does not help in identifying the input figures and estimation steps taken in the analysis.