

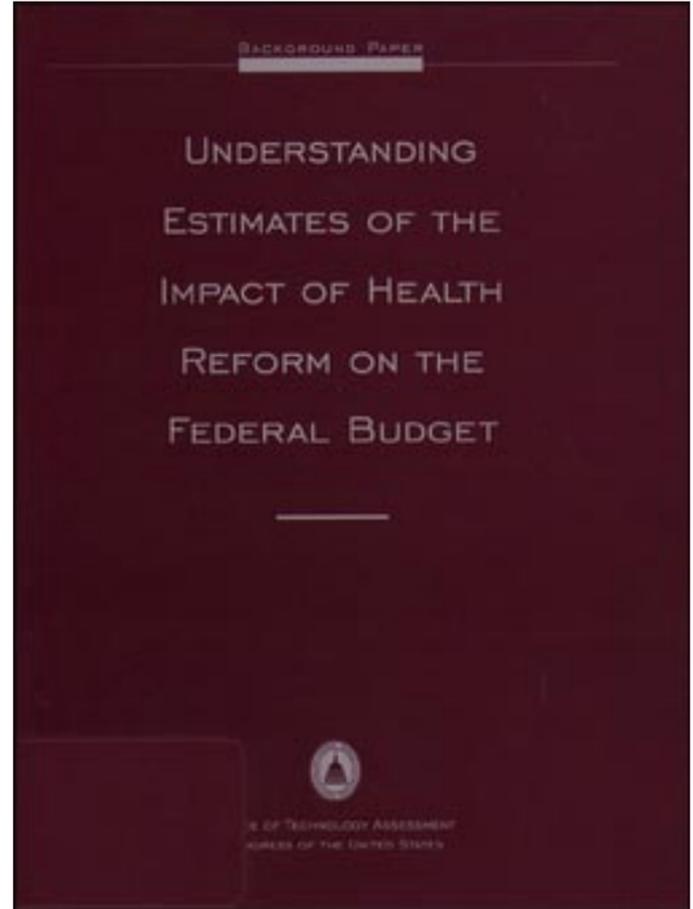
*Understanding Estimates of the Impact of
Health Reform on the Federal Budget*

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Foreword

Health care reform is at the top of the nation's domestic policy agenda, and numerous reform bills have been introduced in Congress. Each reform proposal takes a somewhat different approach to containing costs and providing insurance coverage to more people. A variety of organizations (for example, the Congressional Budget Office, the Administration, and private consulting firms) have estimated the economic effects of health reform on the federal budget. Because analysts often do not provide details about their estimation process, it is not always easy for people to understand why estimates differ.

This background paper describes and evaluates the sources of variation in analysts' estimates of the federal budget impacts of key reform provisions. In particular, it uses three different estimates of federal budget effects of the Health Security Act (from the Administration, the Congressional Budget Office, and Lewin-VHI, a private consulting firm) as an example of the types of factors that may cause analysts' estimates to differ. The paper also discusses potential variations in the estimates of federal budget effects of the American Health Security Act and the Managed Competition Act, and of health reform proposals in general. The background paper aims to improve understanding of the reasons for the differences among various estimates of federal budget effects under health reform.

This background paper is part of an OTA assessment, *Understanding the Estimates Under Health Reform*, that was requested by the members of the Technology Assessment Board (see inside front cover) and Senator Ted Stevens. OTA recently published the main report from the assessment, *Understanding Estimates of National Health Expenditures Under Health Reform*, which focuses on the assumptions used in estimates of national health expenditures under various reform proposals.

Numerous individuals, including an advisory panel chaired by Joseph Newhouse, assisted in the development of this report. OTA gratefully acknowledges the contribution of each of these individuals. As with all OTA publications, the final responsibility for the content of the background paper rests with OTA.



ROGER C. HERDMAN

Director

Advisory Panel

Joseph Newhouse, Chair

Director of the Division of Health
Policy Research and Education
Harvard University
Boston, MA

Stuart H. Altman

Professor of Health Policy
Graduate School of Social Policy
Brandeis University
Waltham, MA

Harold Cohen

President
Harold Cohen, Inc.
Baltimore, MD

Karen Davis

Executive Vice President
Commonwealth Fund
New York, NY

Tom J. Elkin

Assistant Executive Officer
Health Benefit Services
California Public Employees'
Retirement System
Sacramento, CA

Deborah A. Freund

Vice Chancellor of Academic
Affairs
Dean of the Faculties
Director of the Bowen Research
Center
Indiana University
Indianapolis, IN

Fernando A. Guerra

Director of Health
San Antonio Metropolitan Health
District
San Antonio, TX

William Hsiao

Professor
Harvard School of Public Health
Harvard University
Cambridge, MA

Lawrence J. Klein

Professor of Economics, Emeritus
Department of Economics
University of Pennsylvania
Philadelphia, PA

Woodrow Myers

Vice President for Medical Affairs
The Associated Group
Indianapolis, IN

Jack Rodgers

Senior Manager and Director of
Health Policy Analysis
Price Waterhouse
Washington, DC

Allen J. Sorbo

Principal
Tillinghast, A Towers Perrin
Company
Minneapolis, MN

Gail Wilensky

Senior Fellow
Project HOPE
Bethesda, MD

Michael C. Wolfson

Director General of Institutions
and Social Statistics Branch
Statistics Canada
Ottawa, Canada

Special Consultant

Joseph Anderson

President
Capital Research Associates
Chevy Chase, MD

Note: OTA appreciates and is grateful for the valuable assistance and thoughtful critiques provided by the advisory panel members. The panel does not, however, necessarily approve, disapprove, or endorse this background paper. OTA assumes full responsibility for the report and the accuracy of its contents.

Project Staff

Clyde J. Behney
Assistant Director

Sean Tunis
Health Program Director¹

ADMINISTRATIVE STAFF

Beckie Erickson
Office Administrator

Carolyn Martin
Word Processing Specialist

Daniel B. Carson
PC Specialist

Carolyn Swann
PC Specialist

PRINCIPAL STAFF

Tami L. Mark
Project Co-Director

Denise M. Dougherty
Project Co-Director

Yen-pin Chiang
Senior Analyst

Douglas Berkson
Research Assistant

David Grabowski
Research Assistant

¹Effective January 1994.