Health care in personal consumption expenditures (PCE)

• Goods
  o Durable goods
    ▪ Therapeutic appliances and equipment
  o Nondurable goods
    ▪ Prescription drugs, non-prescription drugs, other medical products

• Services
  o Physicians services
  o Dental services
  o Paramedical services
  o Hospital and nursing home services

• Net health insurance
Health care expenditures and prices, PCE for goods

• Current dollars – measured by industry and commodity sales
  o Census Bureau surveys of retail sales, 5-year economic census
  o Prescription drugs: value of sales to consumers (households and insurers) from IQVIA /IMS health

• Prices - measured for commodities
  o CPI for prescription drugs
  o CPI for non-prescription drugs
  o CPI for medical equipment and supplies
  o CPI for eyeglasses and eye care
Health care expenditures and prices, PCE for services

• Includes purchased services and services provided without charge by non-profits (NPISH)
  • Household consumption expenditures (HCE) are purchased by households or insurers
  • PCE for health care services from NPISH is measured by their gross output (expenses)

• Current dollars – sales and expenses by provider /industry
  o Census Bureau services of surveys
  o Census Bureau government finances surveys (for government hospitals and nursing homes)

• Prices, household consumption expenditures (HCE), measured by provider /industry
  o PPIs for offices of physicians, hospitals, nursing care facilities, home health care, medical labs, diagnostic imaging centers
  o CPIs for dental services, services by other medical professionals

• Prices, PCE for services from NPISH
  o BEA input cost indexes for gross output, health care services
Health care expenditures and prices, PCE for net health insurance

• Measured as premiums less benefits
  o Premiums and benefits based on MEPS, A.M Best / NAIC, economic census
  o Includes medical care and hospitalization, income loss, workers' compensation

• Prices
  o Medical care and hospitalization: PPI for direct health and medical insurance carriers
  o Workers’ comp: PPI for workers’ compensation insurance.
  o Income loss: CPI for all items
Health care prices: long term trends (2000 Q1=100)
Health care prices: long term trends by type
(2000 Q1=100)
Health care expenditures in PCE, billions of 2012 dollars
Health care prices since January 2020
(January 2020 = 100)
BEA’s health care estimates: comparisons with other measures

- Prices: PCE vs CPI
  - NIPA Table 9.1U. Reconciliation of Percent Change in the CPI with Percent Change in the PCE Price Index
    - Reconciliation by major components, including some health care items

- PCE vs National Health Expenditure Accounts (NHEA, from CMS)
  - For prices, PCE and NHEA generally use the same PPIs and CPIs
  - Current dollar estimates of total health-related spending are similar
    - Estimates for specific categories can differ
    - See the recent reconciliation of the two estimates of health care spending for more information
  - PCE has higher estimate of current dollar prescription drug spending then NHEA
    - The discrepancy has been growing and exceeds $100 billion in recent years
    - The main reason is that NHEA removes rebates from drug manufacturers to insurers and PCE does not
      - Rebates are difficult to estimate
      - BEA is currently researching the issue and will present results in the future
Health care provisions of the Inflation Reduction Act in BEA’s source data

• Key health care provisions in the IRA
  - Allows negotiation some prescription drug prices purchased through Medicare
  - Extends pandemic-related reductions in health care premiums (through subsidies)
  - Eliminates cost sharing for adult vaccines covered under Medicare Part D and improves access to adult vaccines in Medicaid and CHIP
  - $2,000 cap on out-of-pocket drug costs under Medicare Part D
  - Limit monthly cost sharing for insulin to $35 for people with Medicare

• The effects will appear in BEA’s source data but probably not separately identified
  - Subsidies for health care premiums are in the form of a refundable tax credit
    - In the NIPAs, refundable tax credits are classified as social benefits