1. Just Feed Me the Sausage: One Congressional Staffer's View

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POLICYMAKERS ARE OFTEN FACED WITH MANY complex policy options and, as a consequence, need tools to distinguish among these options and to understand their effects and costs. The forecasting models that policymakers depend on to estimate these effects are numerous and varied and often produce inconsistent and undependable results. Because we live in a world of uncertainty, imperfect information, and constant change, these models are inherently flawed. Nevertheless, modelers do the best they can to estimate complex effects with limited data as well as limited empirical evidence on which to base a model's assumptions. As Sherry Glied and her colleagues demonstrated, we often lack needed or adequate data to model complex aspects of human behavior. Furthermore, the models are often black boxes, so the users of the results, such as myself, a congressional staffer, have no idea what data the models used or what assumptions they were based on. Glied and her colleagues recommended that modelers voluntarily adopt conventions of transparency, which they called a "reference case," to help policymakers better understand how the models estimate the impact of various proposals, and they even suggested that policymakers demand some sort of standardization that would facilitate comparisons of estimates across models.

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Congressional staff would likely find such standardization helpful in crafting legislation. The legislative process is dynamic. Bombarded by an army of lobbyists bearing estimates of favorite policy proposals, congressional staff try to piece together legislative proposals that will have the desired effects. Staff often do not have time or, occasionally, the experience to assess the accuracy and appropriateness of the modeler's estimates.

In any case, a legislative proposal is submitted to the Congressional Budget Office (CBO), the entity officially charged by Congress with estimating the costs and impacts of the legislation, which then "scores" its cost and effect. The CBO then gathers and integrates into its models the best public- and private-sector data. It reviews the literature, adopts what is judged to be credible, and works with private modelers to help them construct models that mimic its own. In those respects, the CBO is a leader in transparency. Indeed, congressional staff are often unpleasantly surprised by a proposal's score and hold discussions with CBO staff (which can become quite spirited) to try to understand the assumptions underlying the estimates. The CBO staff offers guidance, based on their assumptions in the model, on how to modify a legislative proposal to reduce its cost, increase its cost, mitigate behavioral effects, or improve its participation rate.

Understanding what elements in the proposal drive the cost is, therefore, essential. Although the CBO is the final arbiter for Congress, many different people and organizations develop legislative proposals. Accordingly, the more standards that are used in the modeling process, the more likely it is that the proposals will be modeled in similar ways. For the typical congressional staffer, therefore, it would be helpful to know the costs and effects of different proposals under agreed-upon standards before they are sent to the CBO for scoring. The congressional staff want accurate, reliable results. Part of increasing reliability is building better models and understanding data and empirical constraints. Over time, modeling could improve.

The current models sometimes lead to bad results. A notable example is the CBO's significant underestimation of the impact of the Balanced Budget Act of 1997 on providers of Medicare services. The CBO estimated that Medicare spending would fall by \$116 billion over a five-year period and by \$394 billion over a ten-year period, but the actual effects on providers were much greater. In March 1999, the CBO lowered its Medicare projections by an additional \$80 billion for the next five years and by \$229 billion over the ten-year period. Policymakers now

recognize that many factors contributed to the revised spending projections: the legislation changed the providers' perceptions and behaviors; the Health Care Financing Administration (HCFA) improved its efforts at reducing waste, fraud, and abuse in the Medicare program; inflation in the general health care industry diminished; and enrollment in managed care was lower than anticipated. The CBO acknowledged its poor performance in estimating the impact of new payment systems for home health agencies and skilled nursing facilities on Medicare spending. The resulting strain on the health care system led to two "giveback" bills, which in 1999 and 2000 pumped billions of dollars back to providers of Medicare services.

The policymaking process would be greatly improved if policymakers could have more confidence in the information derived from models and the reasons that the models produce different results. Modelers owe it to policymakers to show as clearly as possible the key drivers of the model. If modelers could agree on the basic parameters and how they convey the model's results, both Congress and the executive branch would benefit. This also would help in comparing behavioral changes.

Although Glied and her colleagues suggested that a "reference case" would help policymakers understand the impact of various proposals, the typical congressional staffer cannot judge the appropriateness of the reference case offered or demand that one be created. Instead, we need an independent means of voluntarily creating and enforcing standards. One way to do this would be to encourage modeling to develop as a profession of its own standing, similar to actuarial science. Actuaries, who come to the profession from many academic backgrounds (as in modeling) and some of whom are estimators or modelers, adopt a code of conduct and a code of standard practices to which they must adhere or risk being disciplined by the profession. The purpose of a standard is to give actuaries guidance and a description of recommended practices. The standard can describe "issues to be considered, recommended practices, actuarial methods, and assumptions and information that should be communicated to users of reports concerning social insurance" (American Academy of Actuaries, issue brief January 2002, Actuarial Standard of Practice no. 32, *Social Insurance*). For example, actuaries certify an estimate according to generally accepted practice so that policymakers can have more confidence in it. It takes many hours of rigorous study followed by a series of exams to become an actuary. But there is no such requirement to become an estimator.

Modeling is not likely to become a profession in the near term. A more modest step in that direction would be the convening of a group of modelers under the auspices of a national, nonpartisan independent organization, perhaps the National Academy of Sciences, to examine the issues of transparency, standardization, and increased professionalism. The group could design a framework for building models and parameters to generate a common understanding among modelers, who need to be more transparent so they can better critique one another's findings and improve the state of the art.

Without an independent body encouraging standardization and transparency, it is unlikely that individual policymakers and officials could influence this jumble of models and their results. Many of them view lawmaking as similar to sausage making. But lawmakers do not need to see the sausage of modeling being made; they need to see the sausage itself. Then they can grind it again to move the results through the legislative process, resulting, one hopes, in a very fine, refined product.

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