Introduction: The Sausage Factory of Budget Estimation in Health Policy

BRADFORD H. GRAY

THE FOLLOWING SECTION CONTAINS COMMENTARIES on the article “Inside the Sausage Factory: Improving Estimates of the Effects of Health Insurance Expansion Proposals” by Sherry Glied, Dahlia Remler, and Joshua Graff Zivin, which was published in the December issue of the *Quarterly*. The article explained how economists predict the effects of proposals to expand access to health insurance and made suggestions to improve the comparability of these predictions.

Congressional procedures require estimations of the expected effects, especially the costs, of proposed legislation. Organizations both inside and outside government produce such estimates using available data and simulation models, some of which are proprietary. These estimates, however, often differ substantially for reasons that are not always apparent and that can affect a proposal’s political prospects.

Glied, Remler, and Graff Zivin described the estimation process, including the different kinds of models used and the information needed to predict the effects of policy changes that would alter the cost or availability of health coverage for different classes of beneficiaries. They explained why different modelers might reach different conclusions about any proposal’s likely cost and impact on coverage and also noted that

users of the information cannot always determine why the estimates vary.

Accordingly, Glied, Remler, and Graff Zivin recommended ways of making the modeling process transparent, using what they termed a *reference case*. One suggestion was that modelers adopt conventions that would enable users to see and assess the decisions and assumptions that lead to differing predictions of cost and coverage. Policymakers could then understand why the estimates differed and decide which assumptions they preferred. They also would be better able to appreciate the extent and nature of uncertainty about a proposal's likely effects. Glied, Remler, and Graff Zivin expressed the hope that modelers would voluntarily adopt conventions of transparency, but they also pointed out that the users of budget estimates in Congress and the executive branch of government could press for standardization that would make comparing estimates easier.

A knowledgeable group of commentators, including both producers and users of budget estimates, address these issues in the following pages. Linda Fishman is the health policy director of the U.S. Senate Finance Committee and is responsible for developing and managing the committee's health agenda, which includes Medicare, Medicaid, the State Children's Health Insurance Programs, and policies regarding the uninsured and long-term care. Dan Crippen, at the time of writing, was the director of the Congressional Budget Office, which provides the official budget estimates or "scores" that Congress uses when considering spending proposals. John Sheils is the vice president of the Lewin Group, a well-known private-sector producer of budget estimates of health-related policy proposals. Mark Pauly, a professor of economics at the University of Pennsylvania and chair of the Health Care Systems Department at the Wharton School, has written extensively on the economics of health insurance. David Nexon, the minority staff director of the U.S. Senate Committee on Health, Education, Labor, and Pensions, has had almost 20 years of experience on Capitol Hill, as well as health analysis experience at the Office of Management and Budget at the White House.

The commentators offer different points of view on these issues. The users of budget estimates are, not surprisingly, more receptive to the article's policy proposals than are the estimators. But all the commentators share a sense of frustration: with the adequacy of the available data and models (Crippen and Sheils), with the weight given to dubious numbers in the policy process (Pauly), and with the quality

of the information that shapes the policy options (Nexon and Fishman).

Concluding this section are some reflections on the commentaries and the underlying issues from the authors of “Inside the Sausage Factory,” Sherry Glied, Dahlia Remler, and Joshua Graff Zivin of the Mailman School of Public Health at Columbia University.