

March 27, 2020

Re: Management and Organizational Practices Survey-Hospitals (MOPS-HP)

Mr. Watkins
U.S. Census Bureau
4600 Silver Hill Rd.
Washington, DC 20233

I am writing this letter to affirm my full support for your proposed survey entitled *Management and Organizational Practices Survey-Hospitals (MOPS-HP)*. This proposal is both ambitious and of vital importance to health professionals, patients, healthcare researchers, policy makers, and the general public. Although hospitals often serve as the cornerstone of intensive, life-saving, and costly treatments, little is known about the internal operations driving hospital decisions and outcomes. Your proposed survey will provide, for the first time, broad estimates of management practices in hospitals in the United States (U.S.). This survey will help fill a critical gap in our current understanding of how management systems affect patient health outcomes and healthcare expenditures. This proposed investigation has major implications on health care policy and may help answer why U.S. expenditure on healthcare continues to rise and explain across market differences in health care performance.

My research background allows me to recognize the potential of your work to fill a critical knowledge gap. As Assistant Chief Economist at the Office of the Chief Economist (OCE), I oversee research on measuring the health care sector. Broadly speaking, I have extensive research experience that overlaps with many aspects of this project, including familiarity with health care systems, applied econometrics work, the use of complex, de-identified patient encounter datasets, as well as extensive experience studying macroeconomic measures of the healthcare sector and health spending.

Health care spending has more than doubled over the last 15 years and currently accounts for about 18 percent of Gross Domestic Product (GDP). There is a clear and mounting need for new insights into health care spending, as demonstrated by the heightened attention paid to health care by government officials and the general public. The Office of Management and Budget (OMB), the Council of Economic Advisors, the Government Accountability Office (GAO), and the Congressional Budget Office (CBO) all point to health care spending as the most important long-term issue confronting federal budgets.

More specifically, various stakeholders demand answers for why increases in spending have not produced better health outcomes. The U.S. outspends every Organization for Economic and Cooperation and Development (OECD) country for health care and still ranks near the bottom of the list for population health outcomes, such as life expectancy. This paradox begs the question whether the large increases in U.S. health expenditures represent increases in costs of treatments or increases in the delivery of better medical services. The high share of spending devoted to health care in the U.S. also raises concerns about the efficiency of the U.S. healthcare system. There is expansive literature that administrative inefficiencies, especially within hospitals, drive healthcare expenditure.^{1,2,3}

Another question that stakeholders demand answers to is whether health care expenditure is “worth it.” To answer this question, researchers must adjust expenditure for gains or losses in health outcomes. Currently, BEA’s official measures of the health care component of GDP are limited because they do not account for changes in quality (i.e., health outcomes). Improved quality measurement is also important as

research suggests that the measures of health care inflation used by BEA are overstated by between 0.75 and 3 percentage points per year, and as a result, growth rates for real output and productivity in the health care sector are understated by similar amounts—much of this bias appears to be coming from unmeasured changes in the quality of treatments changes.

The proposed survey improves on previous work investigating the relationship between management and productivity and financial outcomes. Previous work on this field, specific to the manufacturing industry, found that management practices greatly influence productivity.⁴ Similar work for a limited number of hospitals, just 300, also revealed a positive association between hospital management practices and survival rates for heart attacks.⁵

With the proposed survey specific to hospitals and hospital practices, it is encouraging that we will better identify an association between management efficiency, hospital financial outcomes, and patient outcomes. It is our hope that we will be able to use the survey results alongside our large private and public health claims data to track how changes in management practices translate to patient outcomes and treatment expenditure.

Another important aspect of this proposed survey is that it will be sent to 4,500 hospital locations, which covers a substantial share of the approximately 6,000 hospitals in the U.S.. This coverage should help identify regional differences that is of importance to those who reside in high performing or low performing areas. Recent evidence shows private hospital prices across the country vary by a factor of three. Accurate measures of these differences by region are currently not reflected in BEA's regional price measures. Likewise, we hope to couple our claims data with survey results to determine whether patients elect to travel farther to be treated at a higher rated hospital. Another area of future research is whether saturation and hospital competition help improve management practices.

While BEA's research covers a wide range of topics, the central goal of the research is to improve the measurement in the health care sector and provide statistics that are in line with BEA's mission, which is "...to promotes a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic accounts data in an objective and cost-effective manner." I firmly believe the proposed survey will greatly aid BEA's mission. As we work towards the shared goal of improving health outcomes by improving the measurement of the efficiency and efficacy of the health care system, I believe you have the expertise and collaborative spirit necessary to further this research. I look forward to providing guidance, support, and input for your proposed research to ensure that the results are as impactful as possible. I sincerely support your efforts and look forward to hearing about your next steps.

With best regards,

Abe Dunn, Ph.D.
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¹ Himmelstein, D. U., Jun, M., Busse, R., Chevreul, K., Geissler, A., Jeurissen, P., ... & Woolhandler, S. (2014). A comparison of hospital administrative costs in eight nations: US costs exceed all others by far. *Health Affairs*, 33(9), 1586-1594.

² Woolhandler, S., Campbell, T., & Himmelstein, D. U. (2003). Costs of health care administration in the United States and Canada. *New England Journal of Medicine*, 349(8), 768-775.

³ Cutler, D. M., & Ly, D. P. (2011). The (paper) work of medicine: understanding international medical costs. *Journal of Economic Perspectives*, 25(2), 3-25.

⁴ Bloom, N., Brynjolfsson, E., Foster, L., Jarmin, R., Patnaik, M., Saporta-Eksten, I., & Van Reenen, J. (2019). What drives differences in management practices?. *American Economic Review*, 109(5), 1648-83.

⁵ Van Reenen, J., Bloom, N., Sadun, R., Lemos, R., & Scur, D. (2014). The new empirical economics of management.