

Health Care Spending in the Long Run: An Application of the Inforum LIFT Model

Topic: Health IO

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We use the Inforum LIFT (Long-term Interindustry Forecasting Tool) model to investigate the structural and fiscal implications of continued increases in health expenditures over the next 75 years. Alternative patterns of health-care spending growth are considered and examined for sustainability. The model illustrates various ways that relative health and non-health demands, supplies, and prices can, and cannot, be reconciled over the long term.

The LIFT model is unique among large-scale models of the U.S. economy. It employs the inter-industry—macroeconomic approach to economic modeling to provide both the dynamics and high-level accounting of the macro models and the industry structure featured in the general equilibrium approach. It combines an inter-industry input-output formulation with extensive regression analysis in a “bottom-up” approach to modeling. Parameter estimates for structural equations largely are based on time-series regressions. Forecasts and simulations are made year-by-year, allowing analysts to examine both the ultimate economic impacts of policy changes or economic shocks and the dynamics of the economy’s adjustment process.

This paper describes recent developments of the LIFT model and provides an important example of its application. This version of LIFT incorporates the integrated industry and national accounts of the U.S. Bureau of Economic Analysis. It contains variables for output and inter-industry flows, final demand, and international trade for 120 commodity sectors comprising the entire economy; personal consumption for 92 spending categories; equipment and software investment by 65 purchasing industries; and labor compensation, returns to capital, and prices for 65 industries.