

## **Health care expenditure and CGE model: an application for the USA**

Topic: CGE and econometric input-output modelling 1

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Public health care spending represents one of the major part of total expenditure of governments and its containment is frequently debated in the economic literature. The dispute mostly focuses on the sustainability of the health care spending in the long run and on the profitability of its restraint especially when it is financed by public funds. Indeed the health “good” has an important role within the economy since it interacts with the other commodities and is able to activate other production processes and promote income generation. The health care policies should be therefore modelled in order to achieve a composite objective represented by the definition of a level of public health care expenditure consistent with the economic growth.

This paper emphasizes the importance of health good in the income generation and analyses the impact of a different composition of the health expenditure both between private and public funds and between Institutional Sectors. In particular we simulate a new allocation of health care expenditure from private to public Institutional Sectors and we analyse its effects along the income circular flow through a computable general equilibrium model (CGE). The model is developed on a Social Accounting Matrix (SAM) for USA economy for 2009 and is able to capture the direct and indirect effects of any exogenous policy on total production and prices. This allow us to validate the possibility to get in the long run both the economic growth and the sustainability of health care expenditure for the USA economic system.