The Supply Side of Health Care

Topic: Input-Output acccounts and statistics
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There is a common assertion that health care is over one-sixth (or about 18 percent) of the economy. This conclusion, however, is based only on a measure of health care demand. It is much more difficult to identify a corresponding ratio in the supply side data of the economy, that is, in terms of value added and employment.

Our work reconciles information about the supply and demand sides of the national health sector. We use input-output techniques to link the final demand values from the National Health Expenditure Accounts (NHEA) to domestic production and imports of commodities, industry value added, and industry employment. We translate NHEA levels by spending categories (hospitals, physicians, drugs, devices, insurance, construction, investment, research, etc.) into equivalent National Income and Product (NIPA) final demand concepts and then translate these products and services expenditures into final demand by commodity. We then use input-output accounting to determine, by sector, the total output, value added, and employment levels required to satisfy health care demand. The value added and employment levels are identified not only for medical service sectors but also for medical manufacturing industries and for supporting sectors such as distribution, support services, and government production. We find that in 2012, health care production required about 15.4 percent of total value added and 18.7 percent of civilian employment. In addition, domestic health care demand required about 1.5 percent of GDP in imports.