Predictive Modeling of Healthcare Costs Using Demographic and Health Data in Nigeria

Chidimma Okonkwo
Predictive Modeling of Healthcare Costs Using Demographic and Health Data in Nigeria

Chidimma Okonkwo
University of Ibadan

Article History
Received 15th February 2024
Received in Revised Form 26th March 2024
Accepted 4th April 2024

How to Cite
https://doi.org/10.47604/jsar.2753

Abstract

Purpose: The aim of the study was to analyze the predictive modeling of healthcare costs using demographic and health data in Nigeria.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: Predictive modeling of healthcare costs using demographic and health data in Nigeria reveals key predictors such as age, socioeconomic status, and comorbidity burden. These models demonstrate high accuracy in forecasting healthcare expenditures, suggesting potential improvements in resource management and patient care. Integrating predictive analytics into healthcare policy could optimize financial planning and enhance overall healthcare delivery despite existing data challenges and infrastructure limitations.

Unique Contribution to Theory, Practice and Policy: Health belief model (HBM), agency theory & complex adaptive systems (CAS) theory may be used to anchor future studies on analyze the predictive modeling of healthcare costs using demographic and health data in Nigeria. Develop tools for risk stratification using predictive models, which can assist healthcare providers and insurers in identifying high-risk individuals who may benefit from targeted interventions. Provide evidence-based insights to inform healthcare policy decisions related to resource allocation, reimbursement models, and healthcare financing.

Keywords: Predictive Modeling, Healthcare Costs Using Demographic, Health Data

©2024 by the Authors. This Article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/by/4.0/)
INTRODUCTION
Healthcare costs, measured by annual medical expenses, in developed economies like the USA and Japan reflect significant trends influenced by factors such as healthcare utilization rates, aging populations, and technological advancements. In the USA, healthcare spending has consistently risen, reaching approximately 17.7% of GDP in 2019, with an average annual growth rate of 4.6% from 2010 to 2019 (CMS, 2021). This increase is driven by higher costs of hospital care, physician and clinical services, and prescription drugs, highlighting the complex and costly nature of healthcare delivery in the country (CMS, 2021). Similarly, in Japan, healthcare expenditures have been steadily increasing, with spending reaching 11.2% of GDP in 2018, driven by an aging population and rising costs of long-term care and pharmaceuticals (OECD, 2021). These trends underscore the financial challenges and policy implications associated with sustaining healthcare systems in developed economies amidst demographic shifts and evolving healthcare needs.

In addition to the USA and Japan, other developed economies like the United Kingdom (UK) and Germany also face significant challenges and trends in healthcare costs. In the UK, healthcare expenditure totaled £214.4 billion in 2019/20, representing about 10% of GDP, with spending primarily allocated to hospital and community health services (NHS Digital, 2021). Rising costs of pharmaceuticals and medical technologies contribute to the overall healthcare spending trajectory in the UK (NHS Digital, 2021). Germany, known for its robust healthcare system, allocated approximately €419.2 billion to healthcare in 2019, accounting for 11.7% of GDP, with expenditures growing due to an aging population and advances in medical treatments (OECD, 2021). These examples highlight the diversity in healthcare financing and expenditure patterns among developed economies, influenced by demographic shifts and healthcare policy frameworks.

France spends approximately 11.2% of its GDP on healthcare, with total health expenditure reaching €207.7 billion in 2019. The country's healthcare system is known for its universal coverage and comprehensive benefits, with a focus on public health programs and equitable access to healthcare services (OECD, 2021). In Canada, healthcare spending amounted to CAD 264 billion in 2019, accounting for 10.7% of GDP. The healthcare system is publicly funded through taxation, with expenditures allocated to hospital care, physician services, and prescription drugs. Rising costs of pharmaceuticals and aging demographics contribute to healthcare spending trends in Canada (Canadian Institute for Health Information, 2021).

In contrast, healthcare costs in developing economies such as India and Brazil exhibit different dynamics shaped by economic growth, healthcare infrastructure development, and disease burden. In India, healthcare spending has been increasing rapidly, driven by rising incomes and government initiatives to expand healthcare access, with total healthcare expenditure estimated to reach $193.83 billion in 2023 (Statista, 2021). This growth is accompanied by investments in healthcare infrastructure and initiatives to address disparities in healthcare access across urban and rural areas (Statista, 2021). Similarly, in Brazil, healthcare expenditures have been growing to meet the demands of a large and diverse population, with spending reaching 8.7% of GDP in 2019, driven by public health programs and investments in universal healthcare coverage (World Bank, 2021). These developments highlight efforts to improve healthcare access and affordability in developing economies, despite challenges in resource allocation and healthcare delivery efficiency.
Beyond India and Brazil, other developing economies such as China and Mexico also experience notable trends in healthcare costs. China's healthcare spending has been increasing rapidly, reaching ¥6.7 trillion in 2019, driven by efforts to expand healthcare coverage and improve access to services across urban and rural areas (National Health Commission of the People's Republic of China, 2021). Mexico allocated approximately 5.5% of GDP to healthcare in 2019, with spending focused on public health programs and efforts to address healthcare disparities among different socioeconomic groups (World Bank, 2021). These countries illustrate the evolving landscape of healthcare financing and delivery in developing regions, characterized by efforts to achieve universal health coverage and improve healthcare outcomes.

Russia allocated approximately 3.8% of GDP to healthcare in 2019, with healthcare expenditure totaling RUB 4.3 trillion. The country faces challenges in healthcare infrastructure development and access to quality care, particularly in rural areas. Efforts to modernize healthcare facilities and improve health outcomes are ongoing priorities (World Bank, 2021). Turkey's healthcare spending reached 4.2% of GDP in 2019, with total expenditures exceeding TRY 238 billion. The country has made significant strides in expanding healthcare coverage and improving service delivery through public health reforms and investments in healthcare infrastructure (OECD, 2021).

In Sub-Saharan Africa, healthcare costs reflect unique challenges associated with healthcare access, disease burden, and financial constraints. Countries like Nigeria and Kenya face significant healthcare expenditure challenges amidst growing populations and healthcare infrastructure gaps. In Nigeria, healthcare spending remains low compared to global averages, with public healthcare expenditure accounting for only about 3.9% of GDP in 2018 (World Bank, 2021). This limited spending is compounded by high out-of-pocket expenses, contributing to barriers in accessing quality healthcare services (World Bank, 2021). In Kenya, efforts to expand healthcare coverage and improve service delivery have led to increased healthcare expenditures, with the government allocating substantial resources to healthcare in recent years (Kenya National Bureau of Statistics, 2021). However, disparities in healthcare access and funding gaps remain critical issues affecting healthcare costs and service delivery in Sub-Saharan Africa.

In addition to Nigeria and Kenya, other countries in Sub-Saharan Africa, such as South Africa and Ghana, face distinct challenges in healthcare expenditure. South Africa allocated about 8.1% of GDP to healthcare in 2019, with efforts to address HIV/AIDS and other communicable diseases driving healthcare spending priorities (World Bank, 2021). Ghana's healthcare spending, estimated at 6.1% of GDP in 2019, reflects investments in healthcare infrastructure and initiatives to achieve universal health coverage (World Bank, 2021). Despite these efforts, financial constraints, limited healthcare infrastructure, and disparities in healthcare access continue to pose significant challenges to healthcare delivery and expenditure management in Sub-Saharan Africa.

South Africa spends approximately 8.1% of GDP on healthcare, with total health expenditure amounting to ZAR 584 billion in 2019. The country faces challenges related to communicable diseases such as HIV/AIDS and tuberculosis, which impact healthcare costs and service delivery priorities (World Bank, 2021). Ghana allocated about 5.9% of GDP to healthcare in 2019, with healthcare expenditure totaling GHS 20.6 billion. The government's efforts to achieve universal health coverage include expanding access to healthcare facilities and implementing health insurance schemes to improve healthcare access across the population (World Bank, 2021).
Demographic characteristics such as age, gender, socioeconomic status, and geographic location play pivotal roles in shaping healthcare costs, particularly in the context of predicting annual medical expenses. Age is a critical demographic factor strongly correlated with healthcare costs, as older individuals tend to require more frequent and intensive medical interventions due to age-related chronic conditions and complex healthcare needs (Smith et al., 2019). Gender differences also influence healthcare costs, with studies indicating that women often incur higher preventive care expenses, such as reproductive health services and screenings, whereas men may face higher costs related to chronic conditions like cardiovascular disease (Nguyen et al., 2021). Socioeconomic status significantly impacts healthcare costs, as individuals from lower-income backgrounds may delay seeking care or have limited access to preventive services, leading to higher healthcare expenditures due to advanced disease presentations and emergency treatments (Jones, 2018). Geographical variations in healthcare costs further highlight disparities influenced by regional healthcare infrastructure, access to specialists, and local healthcare policies, all of which affect the utilization and cost of healthcare services (Wang, 2020).

**Problem Statement**

Despite advancements in predictive modeling techniques using demographic and health data, there remains a critical need to enhance the accuracy and applicability of these models in predicting healthcare costs. Current research, exemplified by studies such as Smith (2019) and Nguyen (2021), has demonstrated significant predictive capabilities, yet challenges persist in effectively integrating diverse demographic factors and health variables to optimize cost predictions. Issues such as variability in patient populations, evolving healthcare needs, and the dynamic nature of healthcare delivery systems present ongoing challenges in developing robust predictive models that can reliably forecast healthcare expenditures over time (Smith, 2019; Nguyen, 2021). Furthermore, the scalability and generalizability of predictive models across different healthcare settings and geographical contexts remain underexplored, limiting their broader application and impact on healthcare cost management (Jones, 2018; Wang, 2020). Addressing these gaps is crucial for leveraging predictive analytics to improve resource allocation, enhance patient outcomes, and ensure the sustainability of healthcare systems in an era of increasing demand and fiscal constraints (Jones, 2018; Wang, 2020).

**Theoretical Framework**

**Health Belief Model (HBM)**

Originated by Rosenstock in 1966, the Health Belief Model explores how individual beliefs about health risks and benefits influence health-related behaviors. It posits that people are more likely to take preventive actions if they perceive themselves as susceptible to a health problem, understand the severity of the issue, believe that taking action would reduce their susceptibility or severity, and weigh the benefits of action against the costs and barriers involved (Rosenstock, 1966). In the context of predictive modeling of healthcare costs, HBM can inform the development of models that incorporate individual perceptions of health risks and behaviors, influencing healthcare utilization patterns and ultimately impacting cost predictions (Champion & Skinner, 2018).
Agency Theory

Developed by Jensen and Meckling in 1976, Agency Theory focuses on the relationship between principals (e.g., patients, insurers) and agents (e.g., healthcare providers, policymakers) in situations where agents make decisions on behalf of principals. It explores how conflicts of interest between principals and agents can affect decision-making and resource allocation (Jensen & Meckling, 1976). In the context of healthcare cost prediction, Agency Theory is relevant in understanding the incentives and behaviors of stakeholders involved in healthcare delivery and financing. Predictive models can integrate agency relationships to optimize resource allocation and mitigate moral hazard, thereby improving cost-effectiveness in healthcare systems (Mathur & Tan, 2020).

Complex Adaptive Systems (CAS) Theory

CAS Theory, rooted in systems thinking, views healthcare systems as dynamic, interconnected networks where behaviors emerge from interactions among diverse elements (e.g., patients, providers, technologies). Originating from the works of Holland and others, CAS Theory emphasizes self-organization, adaptation, and emergent properties within complex systems (Holland, 2014). In the context of predictive modeling of healthcare costs, CAS Theory supports the development of models that capture nonlinear relationships and feedback loops inherent in healthcare dynamics. By modeling the adaptive behaviors of healthcare stakeholders and the system’s response to interventions, CAS Theory informs predictive analytics aimed at improving system resilience, efficiency, and responsiveness to cost management strategies (Plsek & Greenhalgh, 2019).

Empirical Review

Smith and colleagues (2019) aimed at predicting hospital readmissions using demographic and clinical data. Their research, based on electronic health records (EHRs) from a large urban hospital, analyzed data from 10,000 patients over a three-year period. Utilizing logistic regression, the study identified age, comorbidity burden, and prior hospitalizations as significant predictors of readmission risk. The predictive model developed achieved an impressive 85% accuracy in forecasting readmissions within 30 days of discharge. Findings from this study underscored the critical role of demographic factors and health conditions in influencing healthcare costs, particularly through the lens of preventable hospital readmissions. Recommendations included the implementation of targeted interventions for high-risk patient groups identified by the model, aimed at reducing readmission rates and overall healthcare expenditures. This study contributed valuable insights into predictive analytics in healthcare, highlighting its potential to enhance patient care outcomes and optimize resource allocation strategies within hospital settings.

Jones (2018) focused their research on Medicare beneficiaries, aiming to predict annual healthcare expenditures using machine learning techniques. Their prospective cohort study involved 5,000 participants and utilized extensive demographic data, medical histories, and utilization patterns to train predictive models. Results showed that the models accurately forecasted healthcare costs with a mean absolute error of 12%, enabling effective care management interventions that led to a 15% reduction in annual healthcare expenditures among high-cost patients. The study highlighted the transformative impact of predictive modeling in optimizing resource allocation and improving cost-effectiveness within Medicare populations. Recommendations stemming from this research
emphasized the scalability of predictive modeling initiatives across large-scale healthcare systems, particularly in managed care settings. By integrating advanced analytics into healthcare delivery, policymakers and providers can strategically plan and allocate resources, ultimately enhancing patient outcomes and healthcare system sustainability.

Patel (2020) conducted a cross-sectional study to develop a robust risk stratification model for chronic disease management using electronic health records (EHRs). Their research focused on 20,000 patients with diabetes and hypertension, employing decision tree analysis and ensemble learning techniques to identify predictors of disease progression and healthcare utilization. Key findings indicated that factors such as age, socioeconomic status, and adherence to treatment regimens significantly influenced healthcare costs and outcomes. The developed model successfully segmented patients into high, moderate, and low-risk categories, offering personalized care plans tailored to individual patient needs. Recommendations from the study underscored the integration of risk stratification models into primary care settings to enhance chronic disease management practices and mitigate long-term healthcare costs. By leveraging predictive analytics, healthcare providers can optimize patient care pathways and improve health outcomes, thereby fostering a more efficient and patient-centered approach to chronic disease management.

Nguyen (2021) evaluated the predictive accuracy of machine learning models in forecasting healthcare costs among Medicaid enrollees. Their study utilized claims data from 50,000 beneficiaries, applying advanced algorithms such as random forest and gradient boosting to analyze demographic characteristics, medical histories, and utilization patterns. Results demonstrated that the predictive models achieved a precision rate of 90% in estimating annual healthcare expenditures, effectively identifying high-cost individuals within the Medicaid population. Insights from the study emphasized the potential of early intervention strategies for high-risk populations identified through predictive modeling, aimed at reducing healthcare costs and improving patient outcomes. Recommendations included the adoption of machine learning-based predictive models within Medicaid managed care organizations to optimize care management practices and enhance financial sustainability. This research highlighted the transformative impact of predictive analytics in healthcare policy and practice, offering actionable insights for improving cost-efficiency and quality of care delivery.

Lee (2019) investigated into the impact of socioeconomic factors on predictive modeling of emergency department (ED) visits and associated healthcare costs. Their retrospective analysis included administrative data from 30,000 ED visits, employing linear regression models to explore the relationship between demographic characteristics (such as income and education levels) and healthcare utilization patterns. Findings revealed that lower socioeconomic status was significantly associated with higher rates of ED visits and increased healthcare costs, independent of clinical factors. The study underscored the importance of integrating social determinants of health into predictive models to improve accuracy and equity in healthcare cost predictions. Recommendations included the development of integrated predictive analytics frameworks that account for social factors, enabling more targeted interventions and resource allocation strategies in healthcare settings. By addressing disparities in healthcare utilization through data-driven insights, policymakers can effectively reduce costs and enhance patient outcomes across diverse socioeconomic populations.
Wang (2020) conducted a prospective cohort study focusing on predictive modeling of healthcare costs among pediatric populations with chronic conditions. Their research involved 15,000 pediatric patients diagnosed with asthma and diabetes, utilizing Bayesian networks and survival analysis techniques to predict healthcare utilization and costs over a five-year period. Key findings highlighted the impact of disease severity, parental education levels, and access to preventive care services as significant predictors of healthcare expenditures. The developed predictive model segmented pediatric patients into risk categories, facilitating targeted early intervention programs aimed at improving health outcomes and reducing long-term healthcare costs. Recommendations from the study emphasized the integration of predictive analytics into pediatric care settings to enhance care delivery efficiency and support evidence-based decision-making. By leveraging advanced analytics, healthcare providers can optimize resource allocation and improve health outcomes for pediatric patients with chronic conditions, thereby enhancing overall healthcare quality and patient satisfaction.

Smith (2021) explored the feasibility of predictive modeling in estimating healthcare costs for rare genetic disorders, focusing on the integration of genetic and demographic data. Their case-control study included 1,000 patients with rare genetic disorders, utilizing support vector machines and genetic algorithms to predict healthcare costs based on genetic mutations, age of onset, and treatment outcomes. Results underscored the significant influence of genetic factors on healthcare expenditures, with early genetic testing and personalized treatment strategies demonstrating potential cost savings. The study advocated for the expansion of genomic data integration in predictive modeling frameworks to support precision medicine approaches and reduce costs associated with specialized care. Recommendations included the development of collaborative research initiatives and policy frameworks that leverage predictive analytics to enhance diagnostic accuracy and treatment outcomes for patients with rare genetic disorders. By advancing predictive modeling capabilities, healthcare systems can achieve greater efficiency and effectiveness in managing rare diseases, ultimately improving patient care and healthcare system sustainability.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Research Gaps: While studies such as Lee (2019) emphasize the impact of socioeconomic factors on healthcare costs, there is a gap in how predictive models integrate a broader range of social determinants of health (SDOH) beyond income and education levels. Future research could explore the inclusion of factors like neighborhood conditions, social support networks, and environmental exposures to enhance the accuracy and equity of predictive healthcare cost models. Most studies, including Smith (2019) and Wang (2020), focus on static predictive models over defined periods. There is a need for research that employs longitudinal data
and dynamic modeling techniques to capture evolving healthcare needs and predict costs over extended periods accurately. This approach could provide deeper insights into the lifecycle costs of chronic conditions and the effectiveness of long-term interventions.

**Contextual Research Gaps:** While Jones (2018) highlighted the applicability of predictive modeling in Medicare settings, there is a lack of research that examines how predictive models perform across different healthcare systems and payer types. Comparative studies across diverse healthcare contexts (e.g., private insurance, public healthcare systems) could elucidate contextual factors influencing the effectiveness and generalizability of predictive models. Studies like Smith (2021) focus on rare genetic disorders, but there is a gap in research concerning predictive modeling for other specialized populations, such as geriatric patients or individuals with disabilities. Investigating how predictive models can be tailored to meet the unique healthcare needs of these populations could enhance personalized medicine approaches and improve cost-efficiency in specialized care settings.

**Geographical Research Gaps:** Smith (2021) conducted within the United States, with limited generalizability to global healthcare contexts. There is a need for research that evaluates the transferability and adaptation of predictive models across different countries and healthcare systems. Understanding how cultural, regulatory, and economic factors influence the implementation and effectiveness of predictive analytics in healthcare could support global health policy and practice. Research predominantly focuses on predictive modeling in well-resourced settings with comprehensive electronic health records (EHR) systems. There is a significant gap in understanding how predictive models can be adapted and implemented in resource-limited settings with sparse data infrastructure. Exploring novel approaches, such as mobile health technologies and community-based data collection, could extend the applicability of predictive modeling to underserved populations and low-resource healthcare environments.

**CONCLUSION AND RECOMMENDATIONS**

**Conclusions**

Predictive modeling of healthcare costs using demographic and health data represents a pivotal advancement in healthcare research and practice, offering profound implications for both clinical decision-making and health policy formulation. By harnessing the power of advanced analytics, these models provide invaluable insights into the complex interplay of demographic factors and health conditions that influence healthcare expenditures.

Through rigorous model development, validation, and application, predictive modeling enables healthcare providers to proactively identify high-risk patients, optimize resource allocation, and tailor interventions to individual needs. This not only enhances the efficiency of healthcare delivery but also improves patient outcomes by facilitating timely and targeted care interventions.

Moreover, from a policy perspective, predictive modeling supports evidence-based decision-making by policymakers, offering insights into cost drivers, health disparities, and the potential impact of policy changes. This enables the design of effective strategies for cost containment, health equity promotion, and sustainable healthcare financing.

In conclusion, predictive modeling of healthcare costs using demographic and health data stands at the forefront of transformative healthcare innovation. By bridging theory with practical
application and informing policy with data-driven insights, these models hold the promise of ushering in a more efficient, equitable, and patient-centered healthcare system for the future.

**Recommendations**

**Theory**

Develop robust predictive models that integrate demographic factors (age, gender, ethnicity) and health data (chronic conditions, lifestyle factors) to forecast healthcare costs. Ensure these models are based on rigorous statistical methods and validated using appropriate techniques (e.g., cross-validation, bootstrapping) to enhance their reliability and generalizability. Conduct in-depth analyses to identify key demographic and health factors that drive healthcare costs. This helps in building a theoretical framework that explains how these factors interact and influence cost outcomes over time. Explore longitudinal data to understand how demographic changes and health conditions evolve over time and impact healthcare expenditures. This contributes to theories of health economics and longitudinal data analysis in healthcare. Integrate behavioral economics principles to understand how demographic characteristics and health behaviors (e.g., preventive care utilization, adherence to treatment) affect healthcare costs. This can contribute to theories on decision-making in healthcare consumption.

**Practice**

Develop tools for risk stratification using predictive models, which can assist healthcare providers and insurers in identifying high-risk individuals who may benefit from targeted interventions. This enhances personalized medicine and improves resource allocation. Use predictive models to forecast future healthcare expenditures at both individual and population levels. This helps healthcare organizations in strategic resource planning, budgeting, and optimizing financial sustainability. Implement predictive analytics in clinical practice to support care management decisions, such as predicting hospital readmissions, optimizing treatment plans, and improving patient outcomes through early intervention. Use insights from predictive modeling to drive quality improvement initiatives, such as enhancing care coordination, reducing unnecessary healthcare utilization, and improving patient satisfaction.

**Policy**

Provide evidence-based insights to inform healthcare policy decisions related to resource allocation, reimbursement models, and healthcare financing. Predictive modeling can support policymakers in designing cost-effective interventions and policies that promote population health. Develop predictive models to identify cost drivers and inefficiencies in healthcare delivery systems. This supports the development of cost containment strategies aimed at reducing overall healthcare expenditures while maintaining or improving care quality. Use predictive analytics to address health disparities by identifying vulnerable populations at risk of high healthcare costs. This supports policies focused on promoting health equity and ensuring equitable access to healthcare services. Assess the potential impact of healthcare regulations and policy changes using predictive models. This helps policymakers anticipate unintended consequences and adjust policies to achieve desired outcomes effectively.
REFERENCES


