

2024-06-03

Regression

$$\log(y_{it}) = \log(x_{it1})\beta_1 + \log(x_{it2})\beta_2 + \log(x_{it3})\beta_3 + z_{it}\gamma + \log(\theta_i) + \log(\epsilon_{it})$$

Or with an abuse of notation, we can rewrite it as

$$\log(y_{it}) = \log(x_{it1})\beta_1 + \log(x_{it2})\beta_2 + \log(x_{it3})\beta_3 + z_{it}\gamma + \theta_i + \epsilon_{it}$$

where y_{it} is the number of full time equivalent registered nurses, x_{it1} is the number of short term acute care (STAC) inpatient stays, x_{it2} is the number of STAC outpatient stays, and x_{it3} is the number of sessions. z_{it} is the CASEMIX index provided by Hospidiag. θ_i is the fixed effect at the establishment(hospital) level. ϵ_{it} is the error term.

Sufficient statistics

Following the discussion in GilraineMichaelGu2020_TVA, and relabel everything

$$A_{it}^* = X_{it}\beta + \theta_i + \epsilon_{it} \quad \text{for } i = 1, \dots, n$$

We have

$$A_{it} = A_{it}^* - X_{it}\hat{\beta} = \theta_i + \epsilon_{it} + X_{it}(\beta - \hat{\beta}) \approx \theta_i + \epsilon_{it}$$

where $\hat{\beta}$ is the OLS estimate of β .

Thus, averaging over t , we have

$$\bar{A}_i = \frac{\sum_t A_{it}}{T_i} = \theta_i + \epsilon_{it} + \bar{X}_i(\beta - \hat{\beta}) \approx \theta_i + \bar{\epsilon}_i \sim N(\theta_i, \frac{\sigma_i^2}{T_i})$$

We denote \bar{A}_i to be the **sufficient statistic** for θ_i as in GuKoenker2017_EmpiricalBayesball.

Also the **sufficient statistics** for σ_i^2 is

$$S_i = \frac{1}{T_i - 1} \sum_t (A_{it} - \bar{A}_i + (X_{it} - \bar{X}_i)(\beta - \hat{\beta}))^2 \approx \frac{1}{T_i - 1} \sum_t (A_{it} - \bar{A}_i)^2 \sim \gamma(r_i, \frac{\sigma_i^2}{r_i})$$

where $r_i = (T_i - 1)/2$.

Hierarchy

Location mixture

- We (boldly) assume that the sufficient statistics \bar{A}_i for θ_i follow a normal distribution $N(\theta_i, \sigma_i^2/2)$ and the θ_i follows an unknown distribution G which we aim to estimate.

Scale mixture

- We assume that the S_i follows a gamma distribution $\gamma(r_i, \sigma_i^2/r_i)$ and the σ_i^2 follows an unknown distribution H which we aim to estimate.

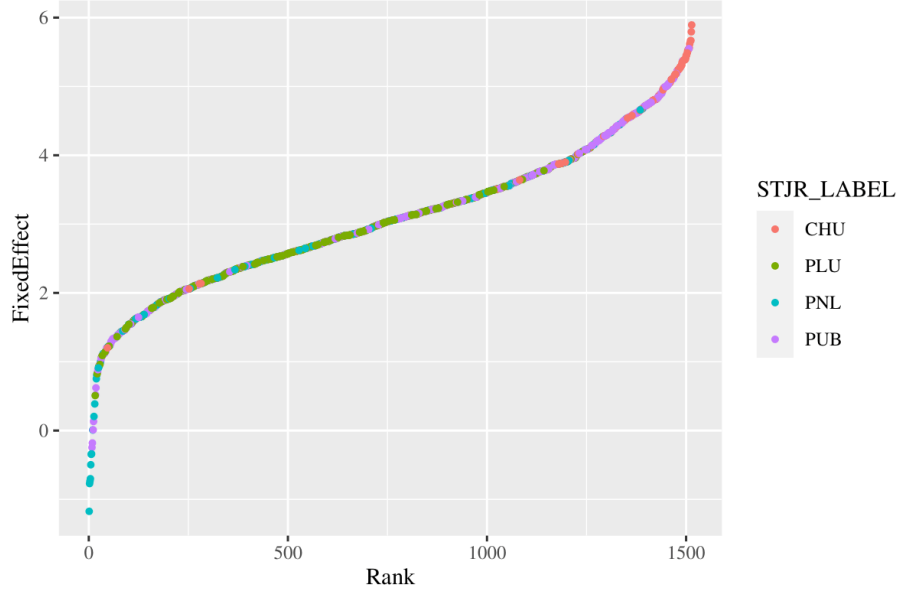


Figure 1: Sufficient statistics for θ_i

Location-Scale mixture

- If we assume that the θ_i and σ_i^2 are independent. We need to estimate G and H
- If we assume that the θ_i and σ_i^2 are dependent. We need to estimate $G(\theta_i, \sigma_i^2)$ jointly.

Compound decision (borrowing strength from the ensemble G)

Posterior mean

As shown in `GuKoenker2023_CompoundDecision`, if we assume N to be normal, and G is the prior distribution of θ_i , we have the **Tweedie formula**:

$$t_G(Y) = E(\alpha|Y) = \frac{\int \alpha \phi(Y - \alpha) dG(\alpha)}{\int \phi(Y - \alpha) dG(\alpha)} = Y + \frac{f'(Y)}{f(Y)}$$

where $f(Y) = \int \phi(Y - \alpha) dG(\alpha)$ and ϕ is the standard normal density function.

Linear shrinkage is a special case of the James-Stein shrinkage. While James-Stein shrinkage is a special case of G being **normal**.

However we can non-parametrically estimate G following the contribution of `KoenkerMizeria2014` by utilizing the `MOSEK` package in convex optimization.

Posterior tail probability

This is a natural criterion when we consider the **selection** problem. We want to select the top(R)/bottom(L) $\alpha\%$ of the individual θ_i .

For example, for the **right tail selection** of $\alpha\%$, we define $\theta_\alpha = G(1 - \alpha)$ to be the $1 - \alpha$ quantile of G . We want to select the θ_i such that $\theta_i > \theta_\alpha$ given the observed \bar{A}_i and S_i .

This requires the an estimate of G . We will use KW and KWsmooth to estimate G .

MLE

Take the face value of \bar{A}_i and perform the selection.

Linear

A special case of posterior mean but with G estimated parametrically (normal) instead of non-parametrically.

We will compare the 4 rules in terms of the selection results.

Results of G and (H)

Homogeneous variance

Not implemented: To test the procedure, we can pool all S_i together and estimate the universal σ^2 for all $N(\theta_i, \sigma^2)$. ### Heterogeneous known variance

Implemented: For simplicity and to test the the procedure, we first assume that the σ_i^2 is known and we set it to the sufficient statistics S_i .

Heterogeneous unknown variance

The location mixture G

The scale mixture H

Results of selection

Hetereogeneous known variance

Implemented: For simplicity and to test the the procedure, we first assume that the σ_i^2 is known and we set it to the sufficient statistics S_i . If we set the **capacity constraint** to be the top 20%. the False Discovery Rate constraint to be 0.05. We have the following results:

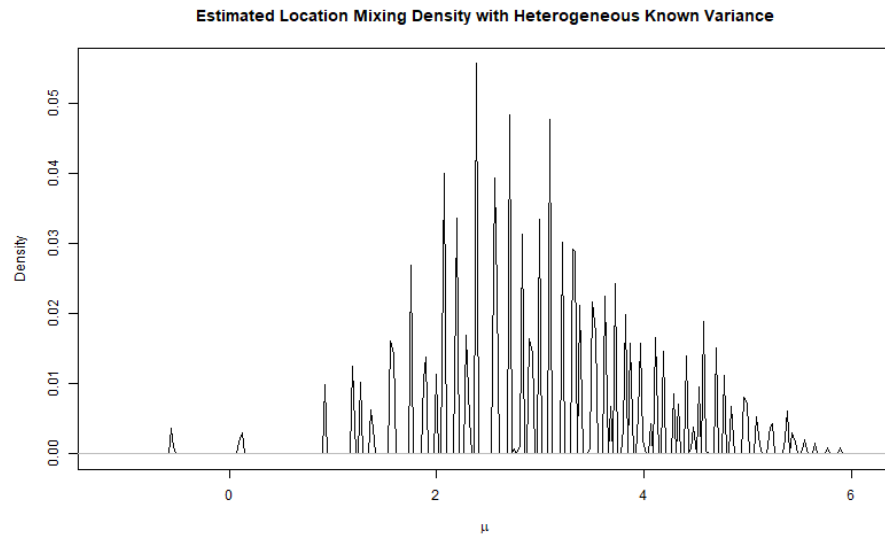


Figure 2: HeterogenousKnownVariance_KW

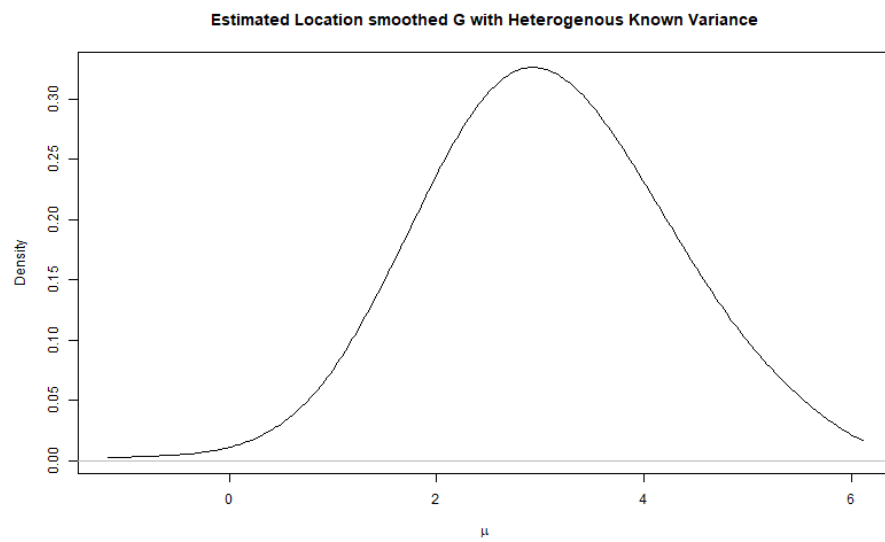


Figure 3: HeterogenousKnownVariance_KWsmooth

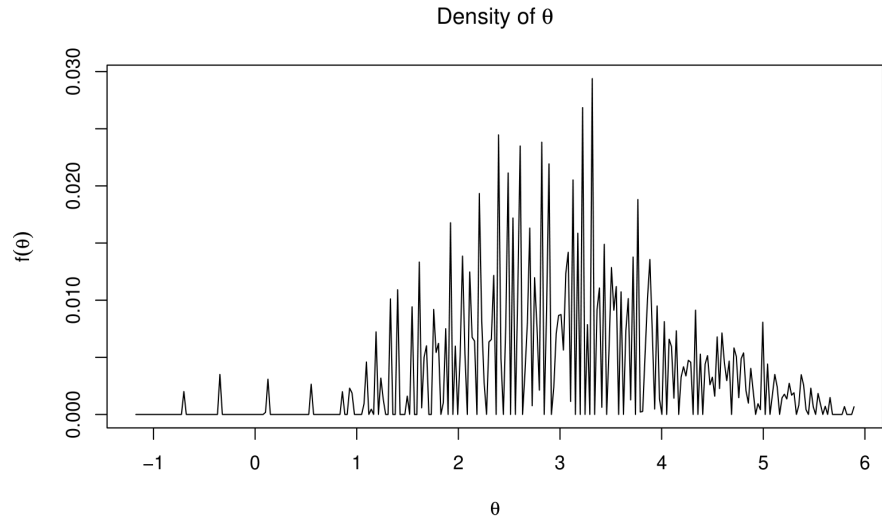


Figure 4: Independent Heterogeneous Unknown Variance - u

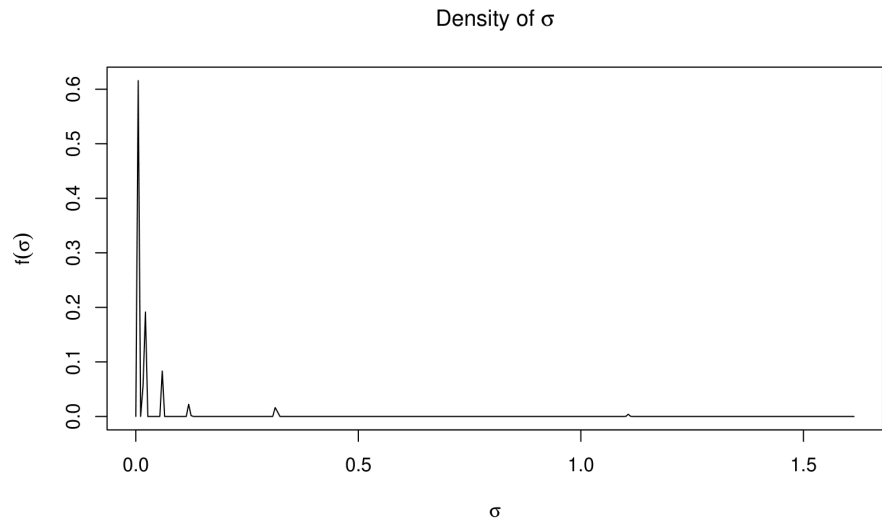
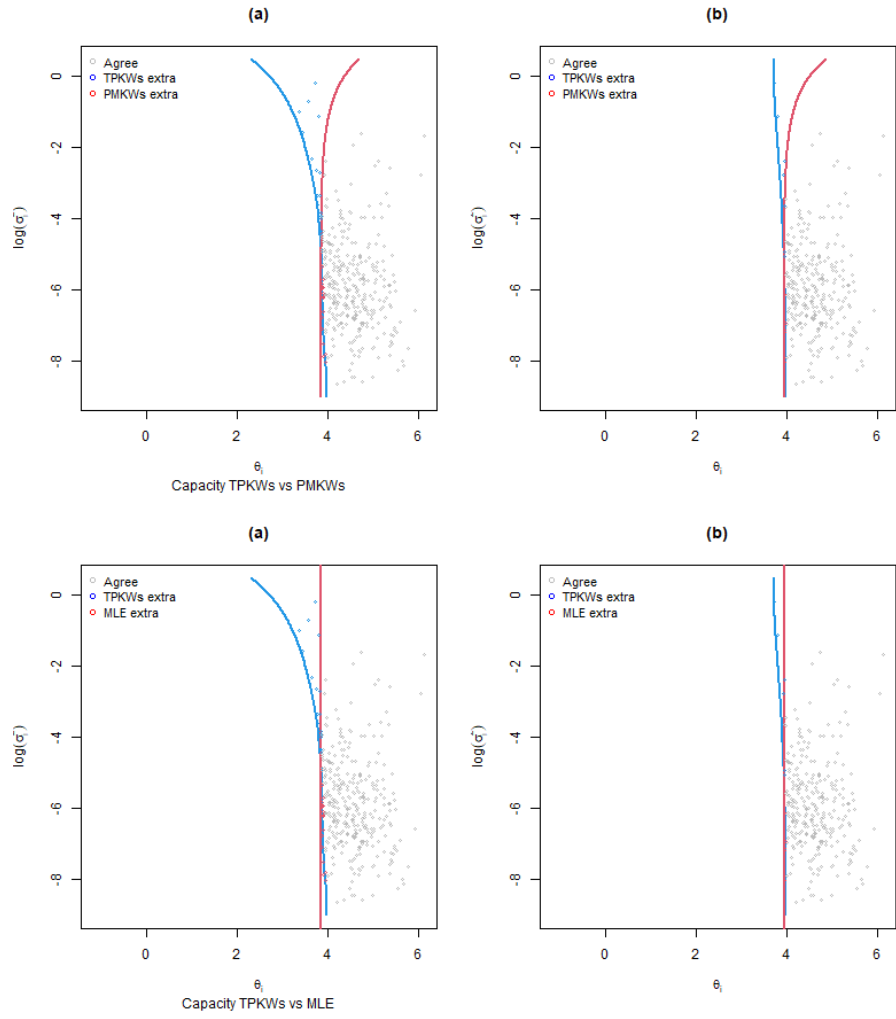
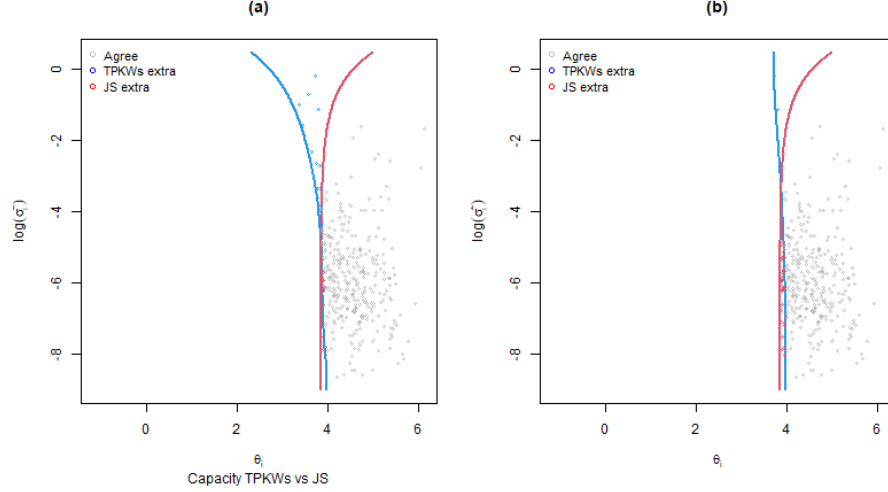


Figure 5: Independent Heterogeneous Unknown Variance - v





Observations: 1. Setting the FDR constraint to be 0.05 is binding. While FDR = 0.2 is not. 2. Comparing TP and PM selection rule, we find that PM favors those with smaller variance. This is in accordance with what's presented in `GuKoenker2023_CompoundDecision`. *>In this case, we see that the posterior probability ranking procedure prefers individuals with larger variances, while the posterior mean ranking procedure prefers smaller variances.*

If we ignore the FDR constraint when performing selection subject to capacity constraint only, we have the following results:

	$\alpha = 4\%$	$\alpha = 10\%$	$\alpha = 15\%$	$\alpha = 20\%$	$\alpha = 25\%$
TP	0.39	0.17	0.11	0.13	0.12
PM	0.40	0.18	0.11	0.13	0.13
MLE	0.40	0.18	0.11	0.13	0.13
James-Stein	0.40	0.18	0.11	0.14	0.13

Heterogeneous unknown variance

To be figured out.

Completed

- Extended the data from 2013-2022.
- Estimated the \hat{G} and \hat{H} .
- Implemented the selection procedure for the heterogeneous known variance case.
- Estimate the false discovery rate.

Next steps

- Implement the selection procedure for the heterogeneous unknown variance case.
- Identify the selected institutions and classify them into different legal categories.
- Explore other specifications of the regression model. (other regressors, other functional forms, other dependent variables, etc.)
- Conclusion that may seem interesting (?).

Issues

1. The variance is so small that setting FDR to be 0.2 is not a binding constraint. Unlike the kidney dialysis example in the `GuKoenker2023_CompoundDecision` paper.
2. The estimated \bar{A}_i is very noisy. This is due to the very short time span of the data.
3. Justify the efficiency measure using the number of registered nurses. Also explore the use of medical doctors.
4. Input demand function or Production function to estimate the efficiency/fixed effect of the hospitals.
5. To what extent can we interpret the fixed effect as efficiency?

Appendix

Estimate G for each category of hospitals

Category	STJR
0	CHU
1	PUB
2	PLU
3	PNL

Take the estimated variance as the known variance...

Left tail selection

The bottom 20% of the θ_i with LFdr constraint to be 0.05.

Observation: 1. The TP rule favors those with higher variance.

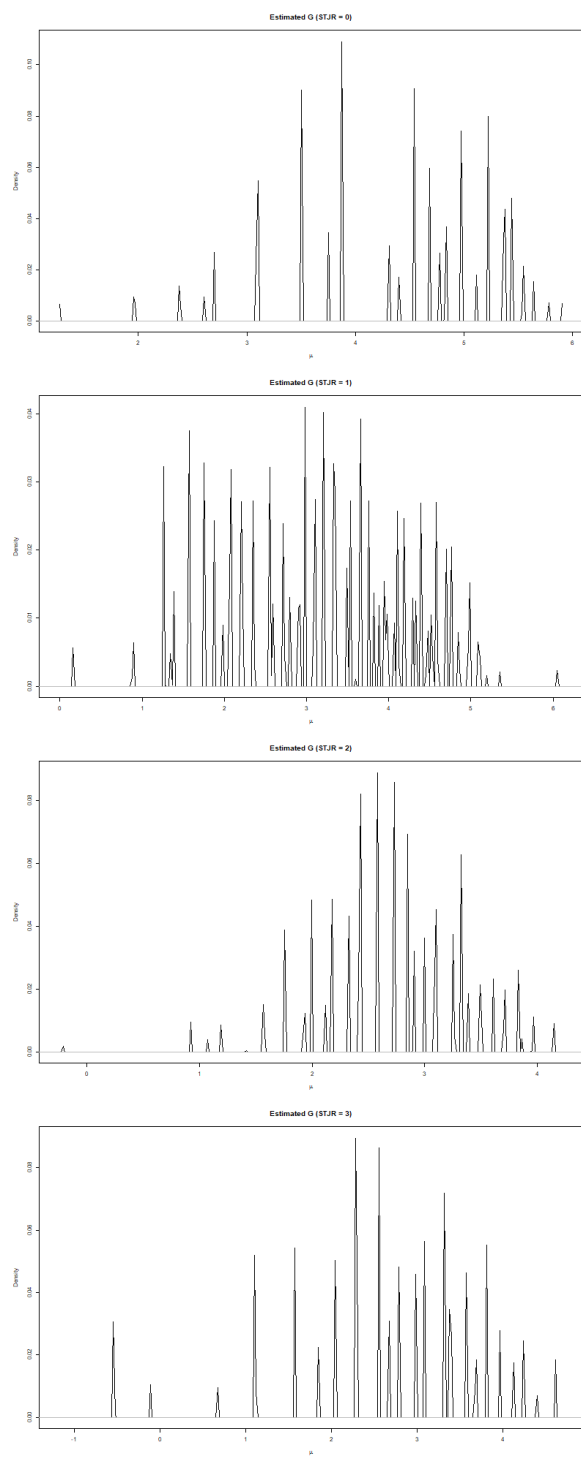


Figure 6: Estimated G

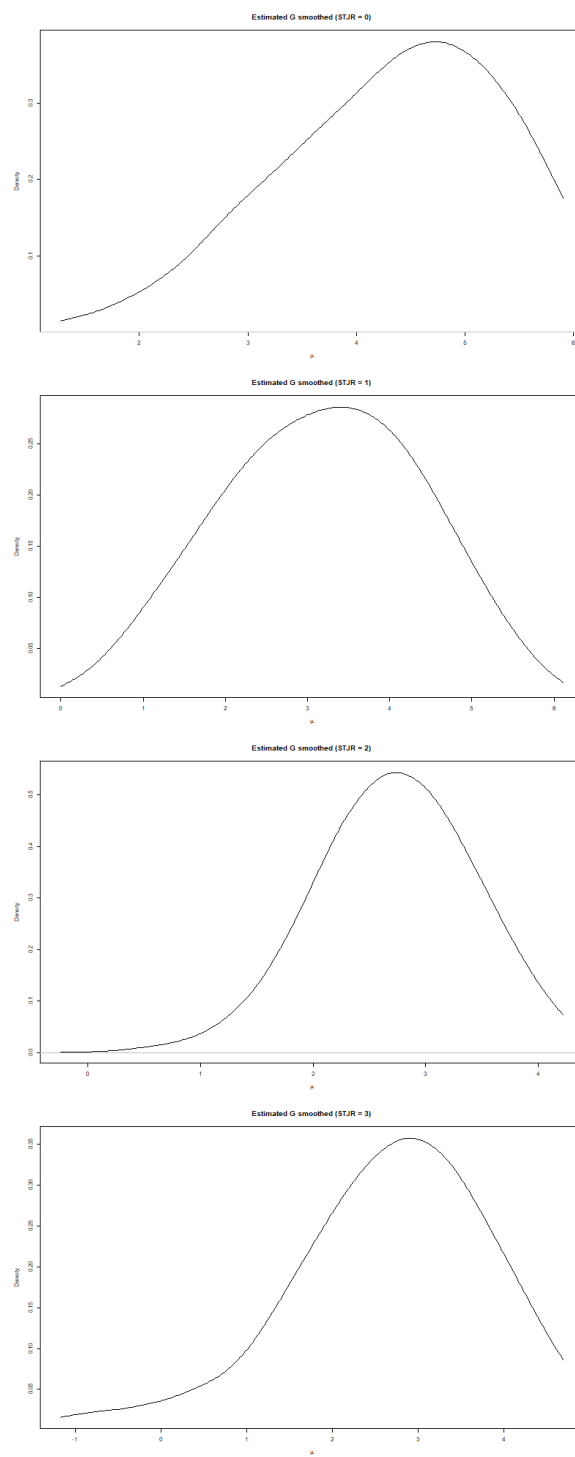


Figure 7: Estimated G_{10} -smoothed (bwd=2)

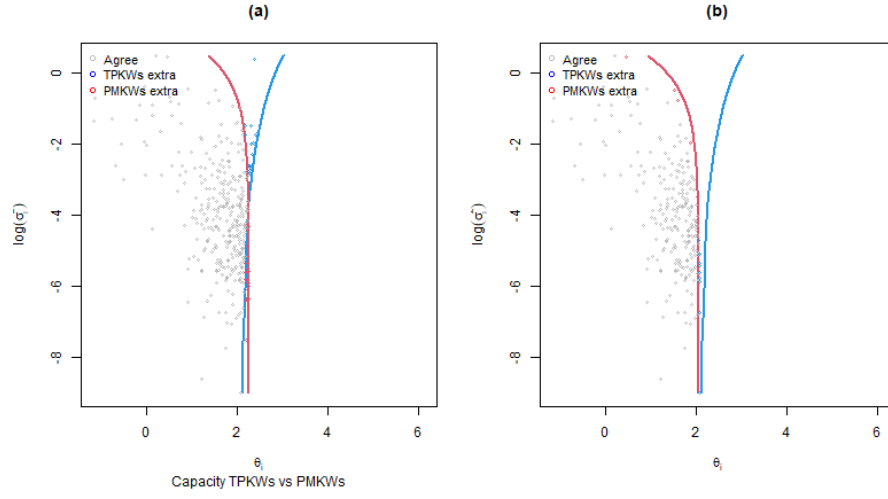


Figure 8: TPKWs vs PMKWs

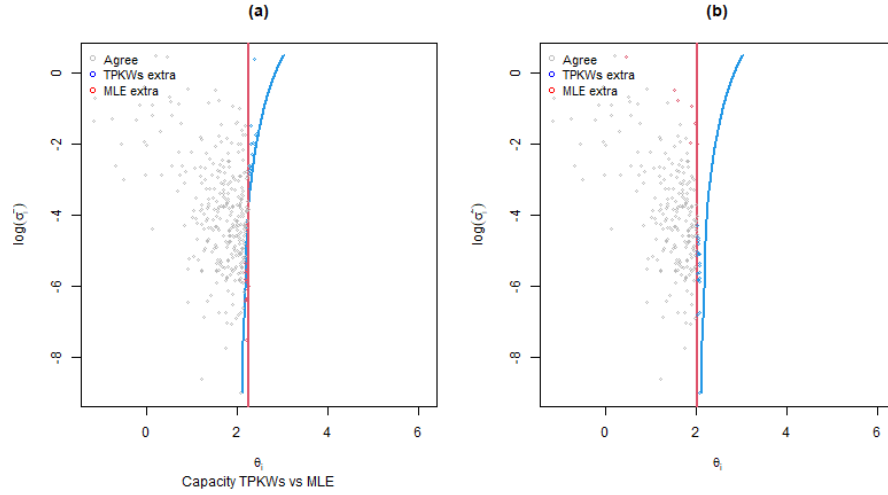


Figure 9: TPKWs vs MLE

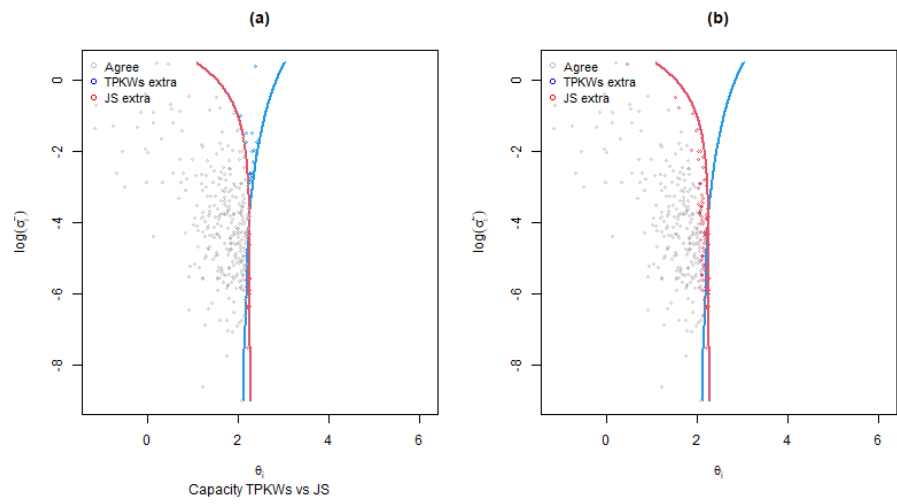


Figure 10: TPKWs vs JS