

Inference and forecasting in the age-period-cohort model with unknown exposure with an application to mesothelioma mortality¹

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Abstract

It is of considerable interest to forecast future mesothelioma mortality. No measures for exposure are available so it is not straight forward to apply a dose-response model. It is proposed to model the counts of deaths directly using a Poisson regression with an age-period-cohort structure, but without offset. Traditionally the age-period-cohort is viewed to suffer from an identification problem. It is shown how to re-parameterize the model in terms of freely varying parameters, so as to avoid this problem. It is shown how to conduct inference and how to construct distribution forecasts.

1 Introduction

Standard mortality studies rest on dose-response analyses where information on both deaths and exposure is available. When no measure for exposure is available this approach is complicated. Mesothelioma mortality is one such example. Mesothelioma is a lung cancer that is almost always associated with exposure to asbestos. The usage of asbestos has been regulated for decades, yet the annual number of mesothelioma deaths continues to increase due to the long latency of the disease. It is of considerable interest to forecast the timing of this peak as well as the overall burden of future mesothelioma mortality. Notably this is a question relating to the unconditional mortality distribution as opposed to questions relating to distribution of mortality conditionally on survival to a certain point. There are two approaches to the problem of not having exposure data. The first approach is to construct a synthetic measure for exposure in which case a dose-response model can be used. This has been done for UK data in Peto, Matthews, Hodgson and Jones (1995), Hodgson, McElvenny, Darnton, Price and Peto (2005) and

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most recently by Tan, Warran, Darnton and Hodgson (2010). The latter analysis uses a Markov Chain Monte Carlo method, which allows not only estimating the model parameters, but also the derivation of Bayesian credibility intervals. The second approach, which is followed here, is only to model the responses. This is inspired by the chain-ladder analysis used for forecasting liability reserves in general insurance, see England and Verrall (2002). The advantage of the second approach is that conceptually it is very simple as it avoids any need for constructing exposure measures for the sample array as well as any need for extrapolating the exposure into the future. We show how estimation, hypothesis testing, point forecasting and model specification testing can be done by standard frequentist statistical software. In addition, we show how distribution forecasts can be constructed using asymptotic theory. The first approach may possibly give more accurate forecasts when expert knowledge is available. Even so, the second approach may serve as a benchmark, especially in situations where there may be some doubt about the assumptions to the unobserved exposure.

It is thought that mesothelioma is almost always caused by exposure to asbestos. It has a long latency period and it mainly affects men. Once discovered it is rapidly fatal, with most of those affected dying within one year; see Peto, Matthews, Hodgson and Jones (1995) for further details. These circumstances contribute to the accuracy of records of mesothelioma mortality and the problems in finding reliable measures on exposure as well as data on mortality from competing risks.

The methodology of the presented analysis is based on an age-period-cohort model. The age-period-cohort model has a well-known identification problem making it impossible to identify the levels and growth rates of the age, period and cohort effects. Traditionally this is solved by making ad hoc choices of these levels and growth rates. This does not have any impact on the fit of the model but it can have detrimental impact on forecasts, see Holford (1985) and Kuang, Nielsen and Nielsen (2008a,b). Instead it was suggested in the latter papers to use a parsimonious, freely varying parametrization of the likelihood which permits the use of standard statistical methodology. The analysis was aimed primarily at age-cohort arrays. Building on that the methodological contribution of the present paper is as follows. First, the age-period-cohort model for age-cohort data arrays are carried over to age-period data arrays. A subtle difference in the results is demonstrated and discussed. Secondly, it is shown how to conduct inference in age-period-cohort models without exposure measures. The inference of particular interest with mesothelioma data is whether the period effect is significant. Thirdly, it is shown how to make point forecasts, including the use of intercept corrections for robustifying the forecasts. Fourthly, it is discussed how to make distribution forecasts. It should be noted that the results concerning identification, estimation and point forecasting will transfer in a straight forward way to situations where exposure is measured, whereas the results concerning inference and distribution forecasts depend on the chosen model.

The main empirical contributions consists of forecasts for the future burden of mesothelioma that complements the analysis by previous authors in various ways. First, the analysis points towards a peak in 2018 of about 2094 deaths with 95% confidence interval (1978, 2210). This is less than the peak of 2700 deaths in 2020 predicted by Peto, Matthews, Hodgson and Jones (1995) using data until 1991; it is later and more severe than the peak of 1846 in 2013 predicted by Hodgson, McElvenny, Darnton, Price

and Peto (2005), using data until 2001; but more in line with the peak of 2038 in 2016 predicted from data until 2006 by Tan, Warran, Darnton and Hodgson (2010), see also Tan and Warren (2009).

A more subtle empirical finding arises from a recursive analysis of the data. Using data until 1991, 2001 and until 2007 the timing of the peak is robust whereas the size of the peak is gradually lowered with the arrival of new data. This gives some indication that preventative legislation from 1969 has moderated the mesothelioma epidemic. Following on from this observation the forecast is broken down by cohort group. This shows that the youngest cohorts with very few observed cases contribute substantially to the future uncertainty. Most of this uncertainty can safely be ignored, since these youngest cohort groups have largely not been exposed to asbestos.

The paper is organized as follows. In §2 we describe the mesothelioma mortality problem which motivates the paper. This presents the intuition of the methods suggested in the paper and also an advance of the main empirical results. In §3 it is discussed how the mortality can be modelled in this situation where no information on exposure is available. In §4 we define the statistical model that we consider and discuss the role of exposure. The full data analysis using our methodology is described in §5. A discussion of the results and some conclusions are provided in §6. An appendix includes technical details of the proposed methodology.

2 Motivation: forecasting mesothelioma mortality

We suggest a new method for inference and forecasting which does not require known exposure. This is useful for an application such as mesothelioma mortality where the number of people exposed to asbestos is unknown. This can serve as a relatively simple benchmark for models with constructed exposure measures. In this section we present the data and the problem which motivates the paper and do a formula free version of our new approach to modelling and forecasting age-period-cohort models. We also offer an advance of the empirical results derived from the methodology we propose in §4.

2.1 The data

The most recently available data from UK Health Service Executive consists of annual aggregated counts of deaths in Great Britain by age for the period 1967–2007. We focus on male mesothelioma deaths in the age range to 25–89 due to sparsity in the more extreme age groups. Thus, the data is an age-period array with $I = 65$ age levels and $J = 41$ periods. The total number of deaths is 31902, with the annual observed number of deaths peaking at 1774 in 2007.

Figure 2.1(*a, b, c*) show summary plots of observed deaths by age, period and cohort. Panel (*d*) shows log cumulative deaths by five year age and cohort group. The curves are nearly parallel, which could be approximately captured by an age-cohort model. Since the curves are not exactly parallel we will investigate whether an age-period-cohort model fares better.

The number of deaths are concentrated among those in late working life and early retirement, with the number of deaths exceeding 1000 for each of the age groups 64-77.

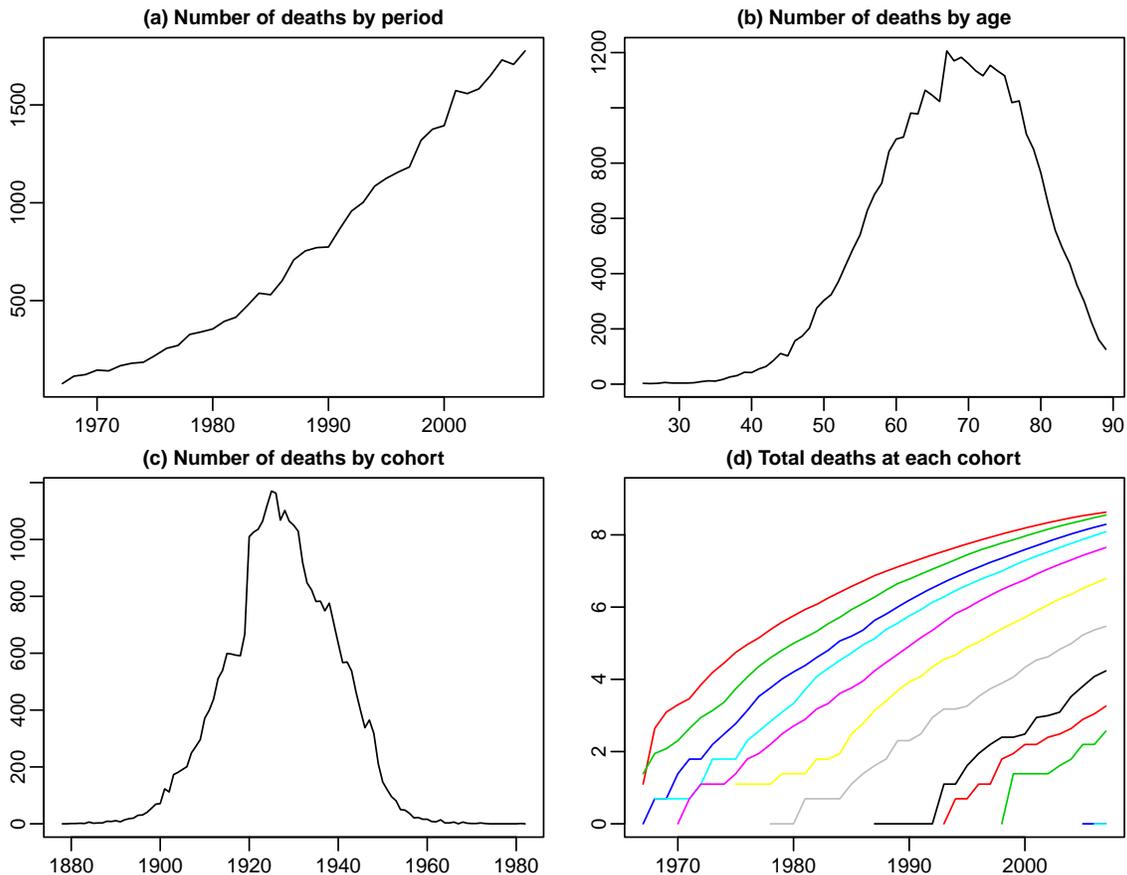


Figure 2.1: *(a, b, c)* show observed deaths by age, period and cohort. *(d)* shows log cumulative deaths by five year age and cohort group. Viewing the curves from top left to bottom right they represent the cohorts 1923-1927, 1928-1932, etc.

At the same time the table of deaths is thin at the edges in that 52 and 128 fall in the youngest age-groups 25-34 and 35-39, respectively and 4 and 15 fall in the oldest cohort-groups 1878-1882 and 1883-1887, respectively, while 15 fall in the youngest cohort-group 1967-1982. It is therefore clear from the outset that in the context of an age-period-cohort model the youngest age effects and the youngest and oldest cohort effects will be poorly estimated.

2.2 The suggested forecast

In this section we present mesothelioma mortality forecasts based on the proposed method. Later we provide a sensitivity analysis and a deeper discussion of the modelling choices. At this point, we want to illustrate what kind of conclusions the proposed methodology can provide.

The proposal is first to formulate an age-period-cohort model and then investigate various sub-models through testing theory. It turns out that when exposure is unavailable the testing theory is also not available. It is therefore a contribution of this paper

to derive a formal testing theory. This allows us to test the relevance of, for instance, the period effect. For the mesothelioma data a reduction to an age-cohort model is not rejected. This corresponds to finding in Figure 2.1(d) that the total deaths in each cohort grow in a near parallel fashion.

Forecasting from an age-period-cohort model involves extrapolation of estimated parameters. We will later show how this can be done using time series methods. However, elimination of the period effect turns out to be very convenient when forecasting mesothelioma mortality. This is for two reasons. First, it is not necessary to extrapolate period parameters as they are not included. Secondly, the use of asbestos has been regulated in the UK since 1969 so the later cohorts in the sample have had very little exposure to asbestos. It is therefore not of interest to forecast mortality for those cohorts so that there is no need for extrapolating the estimated cohort parameters either.

Based on the estimated age-cohort model we get the forecasts shown in Figure 2.2. The analysis points towards a peak in 2018 of about 2094 with 95% confidence interval (1978, 2210). The timing and size of the peak are broadly in line with the forecasts of Tan, Warran, Darnton and Hodgson (2010) and Tan and Warren (2009). But in contrast to those papers our forecasts have been derived without involving any complicated method to construct a measure of exposure.

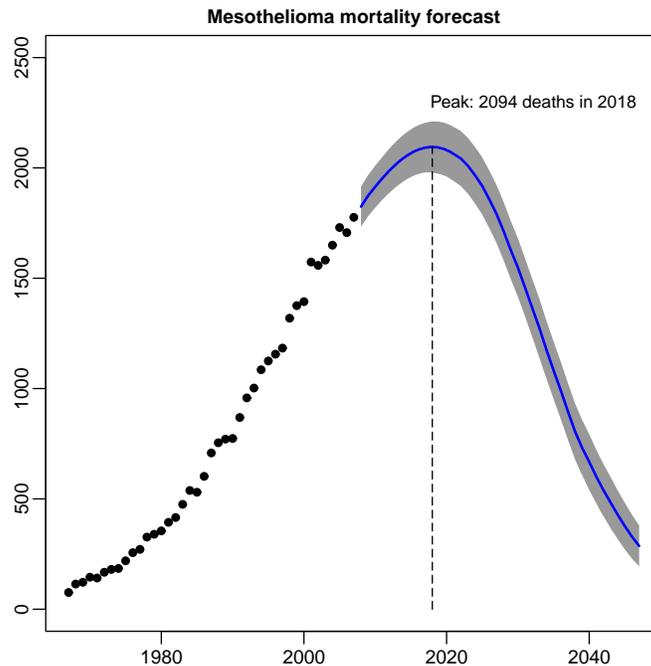


Figure 2.2: Forecasts of annual number of deaths based on full sample from the suggested AC model. The shaded region indicates pointwise 95% forecast bands.

3 The role of exposure

The main statistical issue in studying asbestos related mortality is that the exposure is unknown. Before discussing the proposed model it is useful to start with a brief review of the case where measures for exposure are available. Throughout the paper we consider data organised in an age-period array with age index $i = 1, \dots, I$ and period index $j = 1, \dots, J$. The cohort index $k = I - i + j$ then runs from 1 to $K = I + J - 1$.

3.1 Dose-response modelling with known exposure

At first we consider the situation where both the number of deaths Y_{ij} and the exposure Z_{ij} are known across the age-period index array. It is common to model the rates Y_{ij}/Z_{ij} using a log-linear model. This involves the assumption that the responses given exposures are Poisson distributed with expectation

$$E(Y_{ij}|Z_{ij}) = \exp(\nu_{ij})Z_{ij} = \exp(\nu_{ij} + \log Z_{ij}). \quad (3.1)$$

When ν_{ij} has a linear age-period-cohort structure the statistical model can be estimated through a Poisson regression with offset $\log Z_{ij}$.

3.2 Modelling mortality with synthetic exposure measures

When the exposure is not recorded a first approach is to construct synthetic exposure measures. Indeed, Peto, Matthews, Hodgson and Jones (1995) measured exposure in terms of the number of persons in the population. This allowed the construction of rates and log-linear modelling. It was found that it was adequate to assume a simple age-cohort structure for the mortality, for $k = I - i + j$,

$$\nu_{ij} = \phi_i + \psi_k. \quad (3.2)$$

In a second analysis Hodgson, McElvenny, Darnton, Price and Peto (2005) replaced the simple age-cohort structure with a more complicated model based on epidemiological insight. The log-linear model was replaced by a multinomial model for the responses Y_{ij} . The response probabilities were modelled according to a clearance model involving the half time of clearing of asbestos fibres from the lungs and a model for exposure depending on period. The analysis was updated with more recent data in a Bayesian setup by Tan, Warren, Darnton and Hodgson (2010), see also Tan and Warren (2009).

3.3 Modelling mortality without exposure

In contrast to the above approach our suggested methodology avoids the need for taking a view on exposure. As a statistical model the responses Y_{ij} are independent over the age-period array and Poisson distributed with expectation

$$E(Y_{ij}) = \exp(\mu_{ij}). \quad (3.3)$$

The predictor is assumed to have age-period-cohort structure

$$\mu_{ij} = \alpha_i + \beta_j + \gamma_k + \delta. \quad (3.4)$$

The statistical model is estimated by Poisson regression without any need for an offset. It is therefore slightly simpler than the traditional log-linear model for rates.

It is of considerable interest to compare the model without exposure (3.4) with the model with exposure (3.1). This can be done under simplistic assumptions to the log expectation of the rates and to the exposure. Indeed, suppose the log expectation of the rates has the age-cohort structure (3.2) so $\nu_{ij} = \phi_i + \psi_k$, and that the exposure has an age-period-cohort structure $\log Z_{ij} = a_i + b_j + c_k + d$. In combination the log expectation of the rates in (3.1) then becomes

$$\log \mathbf{E}(Y_{ij}|Z_{ij}) = (\phi_i + a_i) + b_j + (\psi_k + c_k) + d. \quad (3.5)$$

Comparing (3.4) and (3.5) it is seen that the rate parameters ϕ_i and ψ_k can be identified when a_i and c_k are absent. More generally, in so far as a clearance model can be formulated as a simple functional form for a_i and c_k then the parameters ϕ_i and ψ_k can be identified up to that functional form.

We will refrain from building a model for exposure. Essentially the risk set is built up as follows. It consists of those who have survived to the time of exposure and who have then been exposed. Typically a long latency period then follows where competing risks are prevalent. Once the disease is discovered it is rapidly fatal with less scope for mortality from competing risks. Getting to grips with the details of this development is important, especially when it comes to prevention of mesothelioma deaths. However, when the objective is merely to forecast aggregated mortality it suffices to note that this sketch of exposure indicates that the count mesothelioma mortality can plausibly be modelled as Poisson with an age-period-cohort structure. In any case, this claim can be investigated empirically. Moreover, the simplicity of the Poisson model may be advantageous in forecasting.

4 The statistical model and its analysis

An age-period-cohort model for the mortality counts is now presented and analysed. At first we discuss the parametrisation and show how the traditional age-period-cohort identification problem can be addressed. The model and likelihood are presented along with a proposal for inference based on a multinomial sampling scheme. Finally, we briefly present the forecast methods. Details are given in the appendix.

4.1 Parametrisation

Here, we describe how to parametrise an age-period-cohort model with a view to addressing the identification problem. A log odds interpretation of the suggested parametrisation follows. Finally, the parametrisation of an age-cohort model is discussed.

4.1.1 Age-period-cohort parametrisation of age-period data arrays

The age-period-cohort predictor $\mu_{ij} = \alpha_i + \beta_j + \gamma_k + \delta$ from (3.4) has a well-known identification problem. We can rewrite it as

$$\mu_{ij} = (\alpha_i + a + id) + (\beta_j + b - jd) + (\gamma_k + c + kd) + (\delta - a - b - c - Id),$$

for any real numbers a, b, c, d . This shows that the time effects for age, period, and cohort are only identified up to an arbitrary linear trend. By saying that the linear trend is arbitrary we mean that no method can be found to estimate that linear trend from the data. To be more precise define the time effects

$$\theta = (\alpha_1, \dots, \alpha_I, \beta_1, \dots, \beta_J, \gamma_1, \dots, \gamma_K, \delta)' \in \mathbb{R}^q,$$

where $q = I + J + K + 1 = 2(I + J)$, and let μ represent the age-period array of predictors μ_{ij} . We can then find two different time effects, $\theta^\dagger \neq \theta^\ddagger$, that result in the same predictor, $\mu^\dagger = \mu^\ddagger$. This will show up as a collinearity problem in the context of a generalized linear model. In the literature there are many different ad hoc solutions for estimating θ . But, really, the problem is that the model is over-parametrised and the solution is to find an identified, parsimonious parametrisation.

Corollary 2 of Kuang, Nielsen and Nielsen (2008a) gives such a parametrisation. This parametrisation has two parts to it. One part consists of second differences of the parameters such as $\Delta^2\alpha_i = \Delta\alpha_i - \Delta\alpha_{i-1}$, where $\Delta\alpha_i = \alpha_i - \alpha_{i-1}$. The second differences are identified because the second difference of a linear trend is zero. This was pointed out by Clayton and Schiffers (1987). The other part consists of three points μ_{ij} chosen to pin down the shared level and linear trend. Thus, the identified parameter is

$$\xi = (\mu_{I1}, \mu_{I1} - \mu_{I-1,1}, \mu_{I,2} - \mu_{I1}, \Delta^2\alpha_3, \dots, \Delta^2\alpha_I, \Delta^2\beta_3, \dots, \Delta^2\beta_J, \Delta^2\gamma_3, \dots, \Delta^2\gamma_K)' \in \mathbb{R}^p, \quad (4.1)$$

where $p = q - 4 = 2(I + J - 2)$. The parameter ξ is identified in the sense that two different parameters $\xi^\dagger \neq \xi^\ddagger$ result in two different predictors $\mu^\dagger \neq \mu^\ddagger$. We will use the notation $\xi^{(2)}$ for the last $p - 1$ components of ξ .

The next step is to find the design matrix linking the predictor μ with the parameter ξ . The design matrix depends on the chosen data array. There are three main types of data arrays, referred to as the three principle sets of dead by Lexis, see Keiding (1990). These are age-cohort arrays, age-period arrays, and cohort-period arrays. The design matrices are different for these arrays in a fundamental way. Age-cohort arrays has the easiest design matrix, which is discussed in Theorem 1 of Kuang, Nielsen and Nielsen (2008a). The theorem below gives the link for age-period arrays, which is needed for this study. Cohort-period arrays can be dealt with in a similar way.

Theorem 4.1 *Consider an age-period data array, $i = 1, \dots, I$, $j = 1, \dots, J$ along with an age-period-cohort predictor of the form (3.4), where the cohort is $k = I - i + j$. Then*

$$\begin{aligned} \mu_{ij} = & \mu_{I1} + (i - I)(\mu_{I1} - \mu_{I-1,1}) + (j - 1)(\mu_{I,2} - \mu_{I1}) \\ & + \sum_{t=i}^{I-2} \sum_{s=t}^{I-2} \Delta^2\alpha_{s+2} + \sum_{t=3}^j \sum_{s=3}^t \Delta^2\beta_s + \sum_{t=3}^k \sum_{s=3}^t \Delta^2\gamma_s. \end{aligned} \quad (4.2)$$

The parameter ξ of (4.1) exactly identifies μ in that $\xi^\dagger \neq \xi^\ddagger$ implies $\mu^\dagger \neq \mu^\ddagger$.

The formula in (4.2) has an interesting interpretation. First, it writes the predictor in terms of one overall level, two linear trends, and three time effects. An ad hoc

identification would allocate these two linear trends to the three time effects in some arbitrary way. This will of course not add anything to the statistical analysis, apart from an arbitrariness which, at best, will not disturb the statistical analysis. Secondly, an interesting feature of the formula in (4.2) is that period and cohort differences are cumulated forwards, while the age effect is cumulated backwards. This is because the principal axes are age and cohort, so that period arises as a difference. It is therefore not possible to choose a reference point from which all three time scales increase. This is different for age-cohort arrays where the period increases with age and cohort as explored in Theorem 1 of Kuang, Nielsen and Nielsen (2008a). Thirdly, as we will now show, the double differences $\Delta^2\alpha_i$, $\Delta^2\beta_j$ and $\Delta^2\gamma_k$ can be interpreted as log odds ratios.

4.1.2 A log odds ratio interpretation of the parametrisation

We will later introduce a multinomial model for the age-period array in which the log mean of a cell is the predictor, $\log \mathbb{E}(Y_{ij}) = \mu_{ij}$. The aggregate mean and the frequencies for each cell are then given by

$$\tau = \mathbb{E}(Y_{..}), \quad \pi_{ij} = \frac{\mathbb{E}(Y_{ij})}{\mathbb{E}(Y_{..})}, \quad (4.3)$$

where $Y_{..} = \sum_{ij} Y_{ij}$. The formula (4.2) in Theorem 4.1 then implies the following log odds ratios

$$\log \left(\frac{\pi_{ij}}{\pi_{i-1,j}} \bigg/ \frac{\pi_{i-1,j-1}}{\pi_{i-2,j-1}} \right) = \mu_{ij} - \mu_{i-1,j} - \mu_{i-1,j-1} + \mu_{i-2,j-1} = \Delta^2\alpha_i, \quad (4.4)$$

$$\log \left(\frac{\pi_{ij}}{\pi_{i,j-1}} \bigg/ \frac{\pi_{i-1,j-1}}{\pi_{i-1,j-2}} \right) = \mu_{ij} - \mu_{i,j-1} - \mu_{i-1,j-1} + \mu_{i-1,j-2} = \Delta^2\beta_j, \quad (4.5)$$

$$\log \left(\frac{\pi_{ij}}{\pi_{i,j-1}} \bigg/ \frac{\pi_{i+1,j}}{\pi_{i+1,j-1}} \right) = \mu_{ij} - \mu_{i,j-1} - \mu_{i+1,j} + \mu_{i+1,j-1} = \Delta^2\gamma_k. \quad (4.6)$$

This log odds ratios interpretation is similar to the relative risk interpretation offered by Clayton and Schifflers (1987). The formulas are illustrated in Figure 4.1. Panel (a) illustrates the interpretations of the formula for $\Delta^2\alpha_i$ as follows. Consider the 1970 and 1971 cohorts. In 2010 these have age 40 and 39, while in 2011 these have age 41 and 40. Thus, $\Delta^2\alpha_{41}$ represents the increase in mortality from age 40 to age 41 in 2011 relative to the increase from age 39 to age 40 in 2010. In a similar way panels (b) and (c) illustrate the formulas for $\Delta^2\beta_{2012}$ and $\Delta^2\gamma_{1972}$.

The slope parameters can be interpreted as log odds of the frequencies for the reference points $(I, 1)$, $(I-1, 1)$ and $(I, 2)$ in that

$$\log \left(\frac{\pi_{I1}}{\pi_{I-1,1}} \right) = \mu_{I1} - \mu_{I-1,1}, \quad \log \left(\frac{\pi_{I2}}{\pi_{I1}} \right) = \mu_{I2} - \mu_{I1}. \quad (4.7)$$

The above calculations of log odds ratios and log odds imply that there is a one-one mapping between the frequencies π_{ij} and $\xi^{(2)}$. Moreover, the aggregate mean parameter τ satisfies $\tau = \exp(\mu_{I1}) \sum_{ij} \exp(\mu_{ij} - \mu_{I1})$. It is therefore a product of a term that depends on the level parameter μ_{I1} and a term that depends on the remaining part of the canonical parameter, $\xi^{(2)}$.

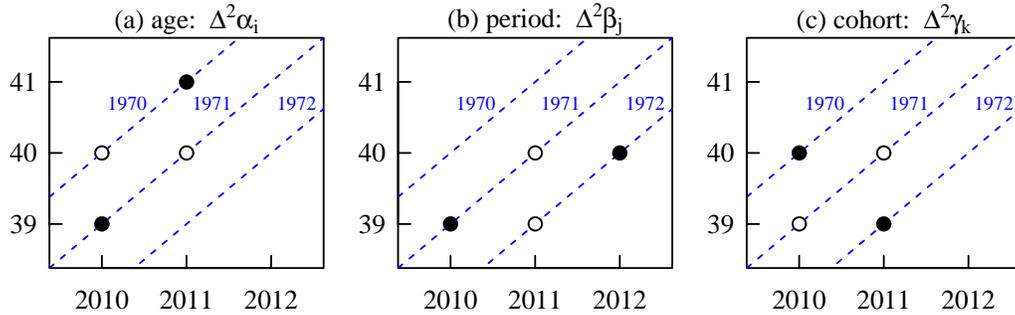


Figure 4.1: Illustration of log odds ratio interpretation of $\Delta^2\alpha_{41}$, $\Delta^2\beta_{2012}$ and $\Delta^2\gamma_{1972}$.

4.1.3 Age-cohort parametrisation of age-period data arrays

In the empirical analysis we will be interested in testing the absence of a period effect. The change of model changes the identification discussion so it is worth giving the results also for this submodel. The predictor (3.4) reduces to

$$\mu_{ij} = \alpha_i + \gamma_k + \delta. \quad (4.8)$$

The two linear trends in the age-period-cohort representation (4.2) can now be attributed uniquely to the age and cohort effects, since the period effect is now absent. Theorem 4.1 can therefore be modified as follows.

Theorem 4.2 *Consider an age-period data array, $i = 1, \dots, I$, $j = 1, \dots, J$, along with an age-cohort predictor of the form (4.8), where the cohort is $k = I - i + j$. Then*

$$\mu_{ij} = \mu_{I1} - \sum_{t=i}^{I-1} \Delta\alpha_{t+1} + \sum_{t=2}^k \Delta\gamma_t. \quad (4.9)$$

The parameter

$$\xi_{AC} = (\mu_{I1}, \Delta\alpha_2, \dots, \Delta\alpha_I, \Delta\gamma_2, \dots, \Delta\gamma_K)', \quad (4.10)$$

exactly identifies μ in that $\xi_{AC}^\dagger \neq \xi_{AC}^\ddagger$ implies $\mu^\dagger \neq \mu^\ddagger$.

The interpretation of the age-cohort result is the same as before. Since the data is arranged in an age-period array it is not possible to find a single point from which both the age and the cohort array increases. Therefore age is cumulated backwards as before.

4.2 Statistical analysis

Having clarified the parametrisation the statistical model can now be presented. This is followed by a discussion of the sampling scheme and hypothesis testing.

4.2.1 Statistical model

The available data are the responses Y_{ij} over an age-period array. No measures of exposure are available. Initially, we will assume that the responses Y_{ij} are independent, Poisson distributed over the age-period array where log mean $\log \mathbf{E}(Y_{ij}) = \mu_{ij}$ satisfies the age-period-cohort model. Theorem 4.1 shows how to parametrise μ_{ij} in terms of the freely varying parameter ξ . The Poisson likelihood is then

$$\log L(\xi; Y) = \sum_{i,j} Y_{ij} \log\{\mathbf{E}(Y_{ij})\} - \sum_{i,j} \mathbf{E}(Y_{ij}). \quad (4.11)$$

The formula (4.2) implies that $\log\{\mathbf{E}(Y_{ij})\} = \mu_{ij} = X'_{ij}\xi$, where

$$X_{ij} = \{1, i - I, j - 1, h(1, i), \dots, h(I - 2, i), \\ h(j, 3), \dots, h(j, J), h(k, 3), \dots, h(k, K)\}', \quad (4.12)$$

and $h(t, s) = \max(t - s + 1, 0)$. Since ξ is freely varying the Poisson likelihood is a regular exponential family with ξ as canonical parameter, see Barndorff-Nielsen (1978, p. 116). The Poisson likelihood is therefore maximised by a Poisson regression of Y_{ij} on X_{ij} with a log link and no offset.

4.2.2 Multinomial sampling

In order to introduce a multinomial sampling scheme we rewrite the canonical parameter ξ in terms of a mixed parametrisation of a mean value parameter and a part of the canonical parameter, see Barndorff-Nielsen (1978, p. 121), McCullagh and Nelder (1999, p. 210). This is done in terms of the aggregate mean τ and the frequencies π_{ij} of (4.3). The Poisson likelihood (4.11) is rewritten by adding and subtracting $Y_{..} \log \tau$ to get

$$\log L(\xi; Y) = (Y_{..} \log \tau) + \sum_{i,j} Y_{ij} \log \pi_{ij}. \quad (4.13)$$

The first term is the Poisson likelihood for τ based on $Y_{..}$, while the second term is the multinomial likelihood for the frequencies π_{ij} based on the data array Y conditionally on the sum $Y_{..}$. Exponential family theory shows that the parameters of the two likelihoods vary freely, that is τ on the one hand and π_{ij} on the other hand vary freely. Maximum likelihood estimation of τ and π_{ij} can be done separately from the two likelihoods.

Inference will be conducted using a multinomial sampling scheme. That is, asymptotic theory will be based on a large value of the aggregate mean parameter τ . This sampling scheme permits inference on the frequencies π_{ij} or, equivalently, on $\xi^{(2)}$, which are the $p - 1$ last elements of the canonical parameter ξ . The hypothesis that the age-period-cohort structure does not depend on period is indeed of this form.

In the application we found it easier to estimate the parameters from the Poisson likelihood (4.11) rather than (4.13). For the inference we then need to use the δ -method to move from the asymptotic theory for the frequencies π_{ij} to an asymptotic theory for $\xi^{(2)}$. The details are left to §A.2 in the appendix.

4.2.3 Testing for absence of period effect

With the mesothelioma data it is of particular interest to test the absence of the period effect. The age-period-cohort predictor (3.4) then reduces to the age-cohort predictor (4.8). The canonical parameter is given by (4.10) while the design reduces to

$$X_{ij}^{AC} = \{1, -h^{AC}(1, i), \dots, -h^{AC}(I-1, i), h^{AC}(k, 2), \dots, h^{AC}(k, K)\}', \quad (4.14)$$

where $h^{AC}(t, s) = 1_{(t \geq s)}$.

Explicit expressions for the maximum likelihood estimators can be established for age-cohort arrays and also for triangular arrays. In the latter case the model is known as a chain-ladder model, see Kuang, Nielsen and Nielsen (2009). For age-period arrays it does not seem easy to find analytic expressions for the estimators.

The age-cohort model can be tested against the general age-period-cohort model using a multinomial sampling scheme. The deviance is then asymptotically χ^2 with $J-2$ degrees of freedom.

4.3 Forecasting

In the empirical analysis the data is organised in an age-period array, \mathcal{I} say, of dimension $I \times J$. Generally, it will be of interest to forecast h periods ahead. In the mesothelioma context this simplifies since the youngest cohorts have not had much asbestos exposure. It is then only of interest to extrapolate those cohorts which are included in the sample. The forecast period can therefore be captured by the triangular array

$$\mathcal{J} = \{(i, j) : i = 1, \dots, I; j = J+1, \dots, J+h; k = 1, \dots, K\}, \quad (4.15)$$

This is a subset of the rectangular set

$$\mathcal{K} = \{(i, j) : i = 1, \dots, I; j = J+1, \dots, J+h\}, \quad (4.16)$$

Forecasting on the set \mathcal{K} are done through a bivariate generalisation of the methods presented here, which is a complexity we will not need for the present mesothelioma data. In the following we discuss four different aspects to forecasting: choice of out-of-sample model, point forecasting, distribution forecasting and robust forecasts.

The first consideration regards the choice of out-of-sample model. The statistical model has been fitted only to the data \mathcal{I} . In this situation there are no signs of major structural changes out of sample so the general idea is to seek to extrapolate the fitted model.

The second consideration is how to construct point forecasts. Within the age-period-cohort model the period parameter would have to be extrapolated to forecast over the set \mathcal{J} . This can be done by interpreting the estimates for the period parameter as data, fit an autoregression, and use autoregressive time series forecast techniques. The identification of the age-period-cohort model matters. In general, ad hoc identification will introduce arbitrary effects in the forecasts. The theory developed in Kuang, Nielsen and Nielsen (2008b) gives a necessary and sufficient condition for avoiding such arbitrariness. Some details relevant to mesothelioma data are discussed in §A.3.3. If an age-cohort model

is chosen there is no need for extrapolation over the set \mathcal{J} so that point forecasting simplifies considerably as discussed in §A.3.1.

The third consideration is distribution forecasting. In a Bayesian model as that of Tan, Warren, Darnton and Hodgson (2010) this is done by simulation. In the presented model asymptotic forecast error bands can be computed analytically using the δ -method. Details are given in §A.3.2.

The fourth consideration is robustification of the forecasts. These are needed when there appear to be structural shifts in the model at the forecast origin, that is for the most recent periods in that data. In the time series literature there are two methods of robustifying extrapolation methods: intercept corrections and working with differenced data. Intercept corrections are used when the last observation appears to jump relatively to the other observations, while differencing is used when there are more permanent breaks in trend lines. Hendry and Nielsen (2007, §21) give a discussion in the context of time series data. With the mesothelioma data the former, less dramatic, intercept correction is useful. This will be discussed in §A.3.4.

5 Analysis of the mesothelioma data

Here we provide the full data analysis for the mesothelioma data described in §2.1 and explain and derive in detail our conclusions advanced in §2.2. The steps in our data analysis are outlined as follows: The specification of the age-period-cohort model is assessed in §5.1. The parameter estimates for the age-period-cohort model are reported in §5.2. A reduction of the model to an age-cohort specification is tested in §5.3. Forecasts of the annual number of deaths are reported in §5.4. In §5.5 we perform a recursive forecast analysis. Thereby the suggested forecasts can be compared with previous analyses in the literature and we gain an insight into the variations that will arise as more data become available in the future. Finally, the sensitivity of the forecasts with respect to variations of the model and the data is analysed in §5.6.

5.1 Specification analysis

We start by fitting a general age-period-cohort model. Our first aim is to check that the model is correctly specified. Table 5.1 reports the deviance of the age-period-cohort model against a fully saturated model to be 2384.9 with a p-value of 0.852. Thus, we cannot reject that the model is well-specified.

Model	Deviance	df	p
APC	2384.9	2457	0.852
AC	2441.7	2496	0.778
AC vs. APC	56.8	39	0.033

Table 5.1: Deviance analysis of the age-period-cohort model.

As a complement to this analysis, Figure 5.1 gives a map of the standardized (Poisson) residuals defined by $r_{ij} = (Y_{ij} - \hat{Y}_{ij})/\sqrt{\hat{Y}_{ij}}$. The standardised residuals are asymp-

totically normal for large values of the expectation. Although this approximation is not ideal for the oldest cohorts and the youngest age groups, it still serves to illustrate whether there is any obvious pattern in the data that is not caught by the age-period-cohort model. The residuals are coded on a grey scale according to their absolute value. The small and large residuals appear to be scattered randomly without any obvious pattern that could indicate misspecification.

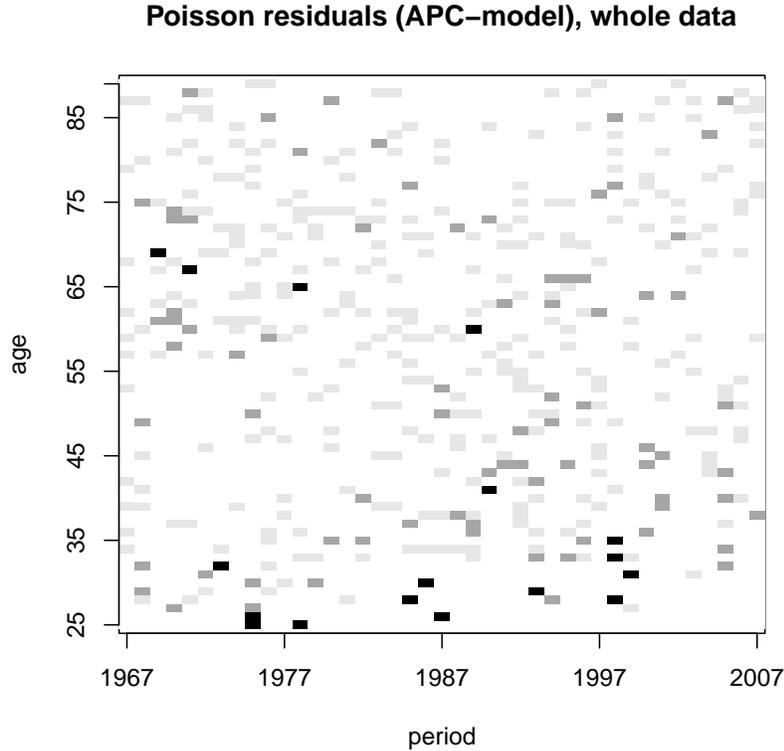


Figure 5.1: Map of standardised residuals r_{ij} . Colour codes: white: $|r_{ij}| < 1$, light-grey: $1 \leq |r_{ij}| < 2$, grey: $2 \leq |r_{ij}| < 3$, black: $3 \leq |r_{ij}|$.

5.2 Parameter estimates

Due to identification problem of the age-period-cohort model levels and the growth rates of the age, period and cohort effects cannot be identified from the model. We refrain from ad hoc identifications of these level and slope effects, since such identification will potentially distort inferences and forecasts. Instead we focus on a presentation of estimates of the canonical parameters.

The canonical parameter can be presented either in terms of double differences as in (4.1) or in terms of double sums of double differences as in (A.1). Both versions are presented in Figure 5.2. Panels (a, c, e) show the estimated double differences of age-, period-, and cohort-effects, respectively. They can be interpreted as log odds ratios as described in (4.4)–(4.6). We discuss their interpretation below. Panels (b, d, f) show

the estimated double sums of double differences. We will use these to illustrate the identification issue.

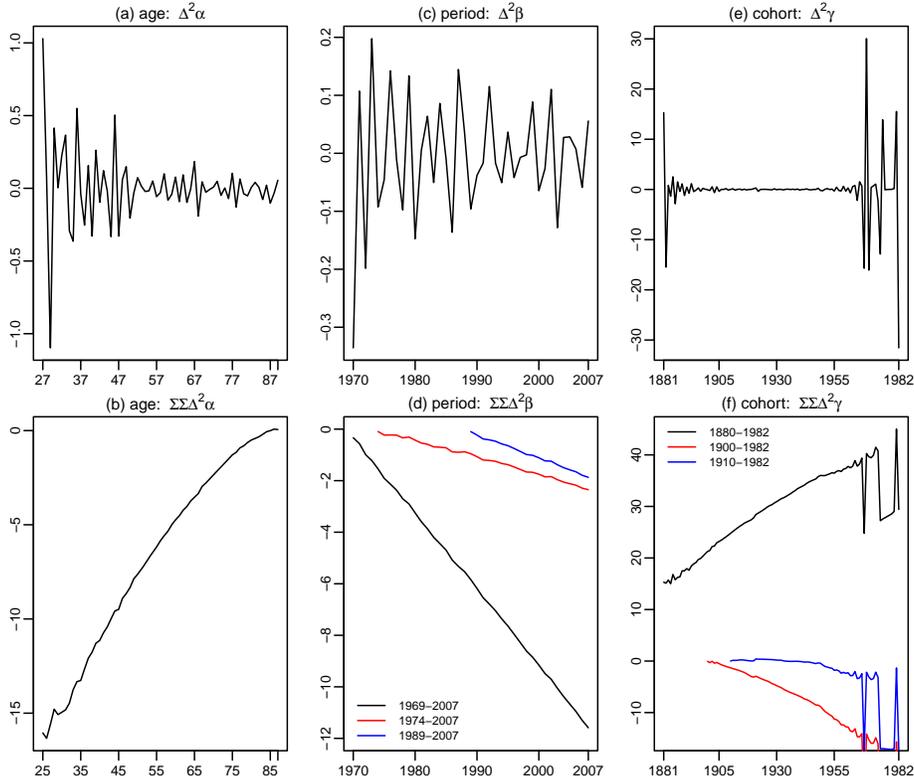


Figure 5.2: Estimated effects in the APC model. Panels (a, c, e) show second differences. Panels (b, d, f) show double sums of second differences.

The double differences shown in panels (a, c, e) are very volatile for this particular data set. It will therefore be difficult to get intuition from these plots. The volatility is quite possibly a small sample effect. Indeed, the sparsity of the observations for the youngest age-groups and the youngest and oldest cohort-groups clearly shows up: The graph of the age effects, $\Delta^2\alpha_i$, in panel (a) is very volatile for young ages. The cohort effects, $\Delta^2\gamma_k$, in panel (e) suffer from a similar problem for youngest and the oldest cohorts. In §5.6 it is evaluated to which extent this sparsity influences the results.

It would of course be interesting if some pattern could be found in these series of log odds ratios. For instance, the age-related log odds ratios would have a particular simple interpretation if all $\Delta^2\alpha_i$ s could be restricted to be equal. This in turn would imply that the overall age effect would be quadratic. Later, in §5.3, we will test such patterns on these coefficients. A similar inspection of the period effects in panel (c) suggests that the double differences $\Delta^2\beta_j$ for the periods effects are close to white noise so that the period effect may actually be negligible. This was the working hypothesis in the dose-response analysis by Peto, Matthews, Hodgson and Jones (1995). Again this will be discussed further in §5.3.

Double sums of the estimated second differences are shown in panels (b, d, f). First of all, note that the age effect shown in (b) is not defined for the two oldest age groups,

whereas in (d, f) the period and the cohort are not defined for the smallest two values of the index. In panels (d, f) we also illustrate the effect of ad hoc identification. The slope of the linear trends in the double sums of the age and the cohort effects are essentially driven by the first few double differences. Ignoring the first few double differences and starting the double cumulation later therefore gives quite a different appearance, because different double differences generate the linear trends. This can be interpreted as showing the effect of ad hoc identification. For instance in panel (d) , the bottom curve shows the effect of ad hoc identification by imposing that the two first age effects are zero, $\beta_1 = \beta_2 = 0$. Similarly, the next curves show ad hoc identification by $\beta_6 = \beta_7 = 0$ and $\beta_{21} = \beta_{22} = 0$. Here, all curves are downward sloping. Repeating the exercise for the cohorts reveals that the sign of the slope can easily change by ad hoc identification, which illustrates the danger of the traditional ad hoc identification.

5.3 Hypotheses

We test the reduction of the age-period-cohort model to a simpler and more convenient age-cohort model. This is line with the analysis of Peto, Matthews, Hodgson and Jones (1995), although they applied an age-cohort model to mortality rates constructed using a synthetic measure for exposure. The likelihood ratio or deviance test is defined in the Appendix §A.2.

Table 5.1 shows that the deviance of the age-cohort model relative to the age-period-cohort model is 56.8 with $J - 2 = 39$ degrees of freedom giving a p-value of 0.033. The decision is therefore marginal so that the data are not sufficiently informative to tell whether a period effect is needed or not. Parsimony is often useful when forecasting so the restriction of no period effect will therefore be imposed.

The second set of hypotheses concerns the concavity of the age effect and the cohort effect. If these effects were quadratic there would be scope for constructing a very parsimonious model. Indeed, the age effect would be quadratic if $\Delta^2\alpha_3 = \dots = \Delta^2\alpha_I$, which is linear hypothesis on the canonical parameter ξ . The relative deviance compared with the unrestricted age-period-cohort model is 228 with $I - 2 = 63$ degrees of freedom. Similar, the hypothesis of quadratic cohort effects has relative deviance of 487 with $K - 2 = 103$ degrees of freedom. In both cases the p-value is negligible which suggests that these effects are more complicated than simple quadratic functions.

Figure 5.3 shows the estimates for the age-cohort model. Panels (a, c) show the differences of age and cohort effects. Similarly to the log odds ratio interpretation of the double difference these single differences are interpreted as log odds. The sparsity for youngest age groups and for the youngest and oldest cohorts results in volatility as before. Panel (a) shows that for older age groups the log odds are increasing with age.

Panels (b, d) show sums of the differences. In particular, the age effect appears concave in panel (b) . This concavity was also seen in Figure 5.2 (b) , although there it was masked by the unidentifiable linear trend.

5.4 Forecasts from the age-cohort model

Here we describe our forecasting results from the preferred AC model. The first issue is to decide the forecast horizon. The data is an age-period array of dimension $I \times J$,

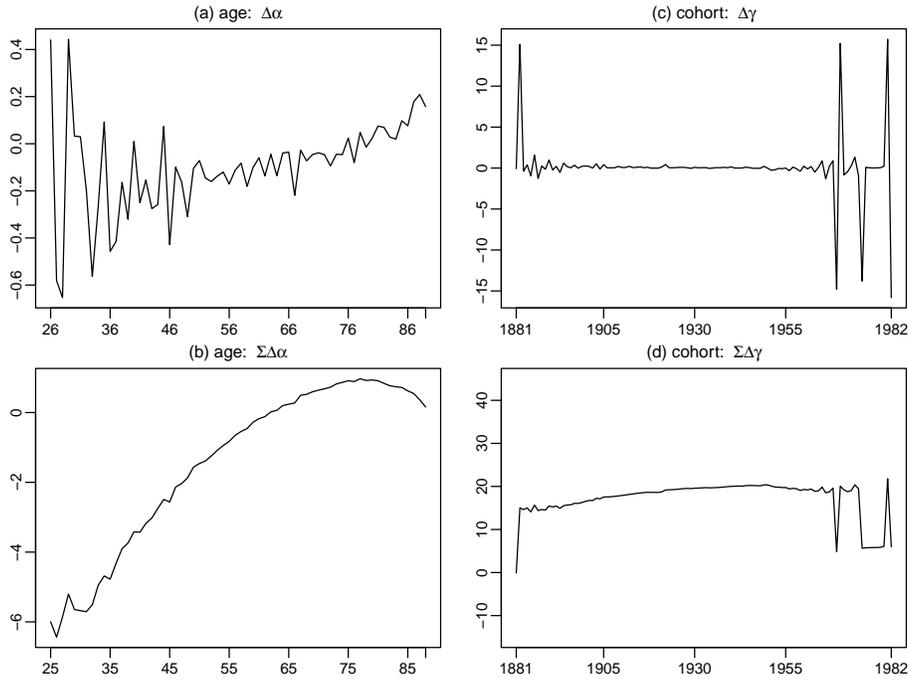


Figure 5.3: The estimated age and cohort effects using two parameterizations namely the first order differences of the effects and the sums of these differences.

corresponding to ages 25–89 and periods 1967–2007. For the last period in the sample, that is the year 2007, the cohorts are $k = K - I + 1, \dots, K$, corresponding to the cohorts 1918–1982. The forecasts will be for the next $h = 40$ periods, until 2047, but only for those cohorts that are actually in the sample giving a forecast index set \mathcal{J} of the form (4.15).

The considerable cohort effects in the data need to be taken into account. The sample includes cohorts until 1982. The number of observations are sparse for the most recent of these cohorts, 1967–1982 say, for two reasons. First, these cohort groups are too young in the sample to have generated many observations as mesothelioma seems to have a long latency. A consequence of this is that the estimates of the parameters for the youngest cohorts will be very uncertain. Secondly, and more importantly, these cohorts have largely been spared from asbestos exposure. Peto, Hodgson, Matthews and Jones (1995) explain that the first Asbestos Regulation was introduced in the UK in 1969. If this regulation has worked as intended the exposure to asbestos will have been modest for these cohorts. It is therefore of interest to break down the forecasts by cohort groups. The cut-off of 1966 is chosen because the 1967 cohort is the first cohort at the end of the mesothelioma epidemic for which no deaths are recorded.

Figure 5.4 shows the first forecast results broken down by cohort groups. The dots indicate the observed counts of mesothelioma deaths by period. The central lines are point forecasts with distribution forecasts drawn around it. The top curve represents forecasts of the total number of deaths among those cohorts that are born in 1966 and before. The next curve includes cohorts until 1952 and the bottom curve cohorts until 1937. Forecasts of all cohort groups until 1982 are presented in Figure 5.5 and will be

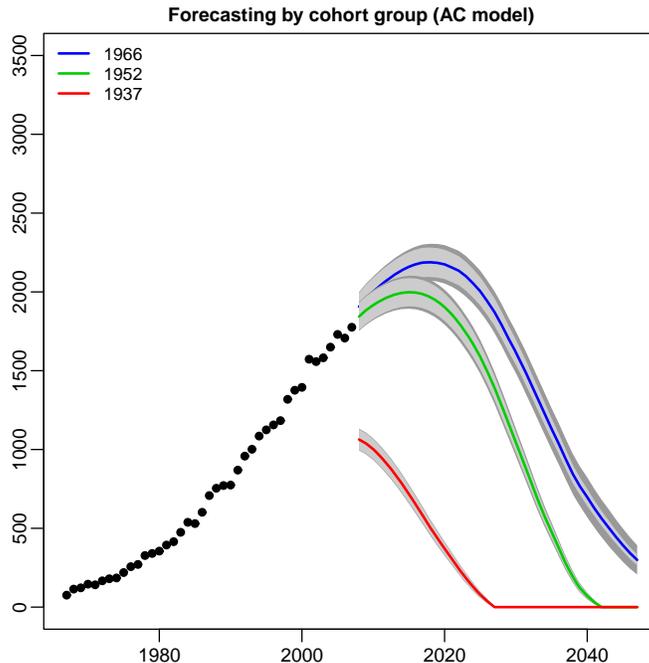


Figure 5.4: Forecasts of annual number of deaths based on full sample and decomposed by cohort contribution.

discussed later. The forecasts indicate that the number of deaths has already peaked for the oldest cohorts up to 1937. In contrast, the number of deaths for cohorts up to 1952 and 1966 will peak in the future.

The forecast confidence bands are 95% bands. Two bands are shown. The inner bands are the forecast innovation error. The outer bands include a contribution from the estimation error, that is $s_{i,J+h,est}^2$ in (A.12). For the two bottom curves in Figure 5.4 the estimation error only makes a modest contribution to the forecast error and can essentially be ignored. For the top curve in Figure 5.4 including cohorts until 1966 the importance of the estimation error is seen to increase with the forecast horizon. At the longest forecast horizons the youngest cohorts will be dominant, indeed the forecast for 2047 will only include cohorts 1958–1966. If all cohorts until 1982 are included this effect will become extreme, as shown for the curve marked ‘1967–2007’ in Figure 5.5 below. At the peak in 2019, see Table 5.2, the contribution from the estimation error is modest, but it increases rapidly for longer horizons.

5.5 Recursive analysis

Figure 5.5 shows the results from a recursive analysis with peak values summarized in Table 5.2. The purpose of the recursive analysis is to be able to compare the results with those of previous studies. The graph of the observations indicates that after 1991 the increase in mortality is reduced. This feature can have a large impact on forecast models as discussed in §A.3.4 and should be taken into account in retrospective analysis.

The graph marked ‘1967–1991’ only uses the sample until 1991 for the estimation.

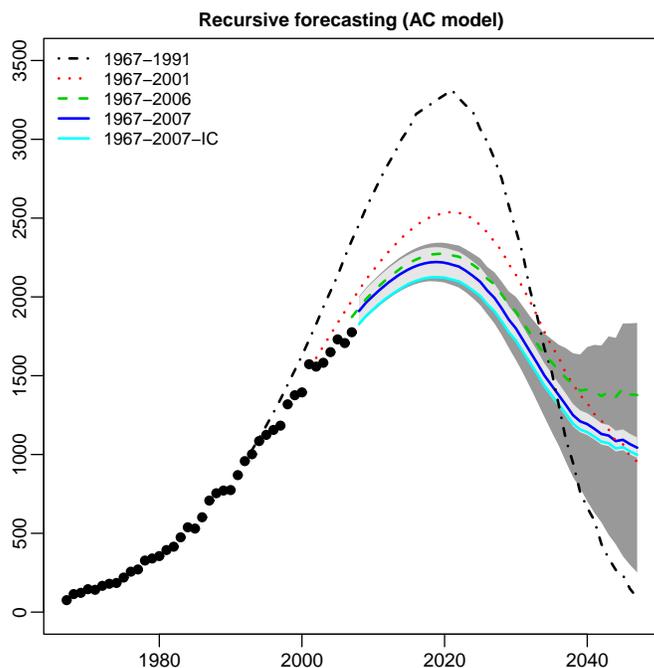


Figure 5.5: Recursive forecasts and forecast of annual number of deaths. The forecast marked with *IC* has been subject to an intercept correction

This is more or less the data available to Peto, Matthews, Hodgson and Jones (1995). In line with their finding the peak is high, possible because the 1969 legislation has not yet had an effect due to the long latency of mesothelioma.

The graph marked ‘1967–2001’ uses the sample until 2001 for the estimation. This is more or less the data available to Hodgson, McElvenny, Darnton, Price and Peto (2005). The forecast is much smaller in line with their finding. Thus, the difference in forecast between those two earlier papers appears to be due mainly to the change in mortality and not so much because of the changed method.

Likewise the graph marked ‘1967–2006’ uses the sample corresponding to that of Tan and Warren (2009). It shows a further reduction of the peak in line with the finding of Tan and Warren (2009), who produced a similar recursive analysis.

The graph marked ‘1967–2007’ is based on the full sample and is reported with confidence bands. This has been discussed previously. The graph marked ‘1967–2007-IC’ is similar, but has been subjected to intercept correction of the form (A.20). Thus the difference between the two curves is a scaling factor of $2125/2220=0.96$. It is seen how the intercept correction joins up the data and the forecast in a smoother fashion. The intercept correction is, however, relatively modest and stays within the innovation forecast error bands. The choice between these two graphs will depend on whether the recent drop in mortality is seen to be permanent or not.

Overall, the present analysis suggests that the peak will be slightly higher and slightly later than the prediction from previous studies.

sample end	1991	2001	2006	2007	2007-IC
peak	3313	2539	2275	2220	2125
peak-year	2021	2021	2020	2019	2019

Table 5.2: Peaks from recursive analysis. The forecast marked with *IC* has been subject to an intercept correction.

5.6 Sensitivity analysis

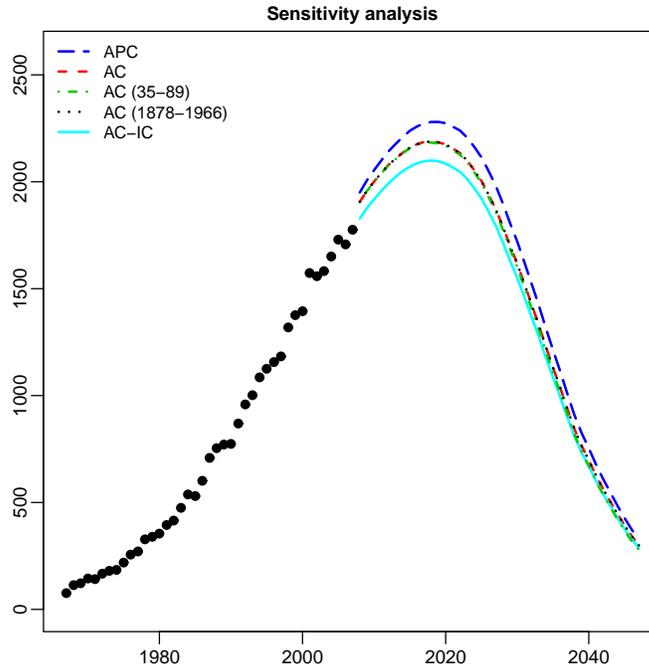


Figure 5.6: Sensitivity analysis: Forecasts of annual number of deaths for cohorts until 1966. Top curve uses an age-period-cohort model, the other curves use age-cohort models. Three middle curves: are models based on the full sample and on samples without age 25–34 and without cohorts 1967–1982. The bottom curve uses an intercept correction.

Figure 5.6 shows how sensitive the results are to variations of the forecasting model. Forecasts are done for cohorts until 1966 as in Figure 5.4. Five variations are considered.

The three curves in the middle nearly identical. One of these is the age-cohort forecast from Figure 5.4. The other two are based on age-cohort analyses estimated on reduced samples leaving out either ages 25–34 or cohorts 1967–1982. This shows that even though the parameters are very poorly estimated for those age and cohort groups this does not contaminate the results.

The bottom curve is based on a full sample age-cohort model. Following the discussion in §5.5 the forecast is subjected to an intercept correction. Only cohorts until 1966 are forecasted as for the other graphs in this figure. We take this as our preferred

forecast and this is the forecast reported in Figure 2.2.

The top curve is a full sample age-period-cohort forecast. It has the same shape as the age-cohort forecasts, but seems less influenced by the drop in mortality in the years 2006–2007. Again, an intercept correction would bring the age-period-cohort forecast in line with the age-cohort forecasts.

6 Conclusion

The usual approach to mortality analysis is to model the mortality rates. Mesothelioma mortality is complicated to model in this way because no reliable measure for the exposure exists. It has been argued that in so far as the interest focuses on predicting overall mortality then the problem can be analyzed using a log-linear model with an age-period-cohort structure, but no offset.

In order to carry this out some methodological contributions have been made. First, the identification problem of age-period-cohort models has been analyzed for age-period arrays. Secondly, it has been shown how to conduct inference using a multinomial sampling scheme. Thirdly, it has been discussed how to make point forecasts when the period effect has to be extrapolated. These contributions are relatively easy to implement using for instance R which has a routine for generalized linear modelling. The fourth contribution is the discussion of distribution forecasts. This is slightly more complicated to compute.

In the empirical analysis it was found that mesothelioma mortality is expected to peak with about 2094 deaths in 2018, which is slightly worse and slightly later than the predictions of previous studies. Various sensitivity and robustness analyses were carried out. Based on these considerations we find that the most appropriate forecast is to apply an age-cohort model and use this to forecast mortality for cohorts earlier than 1967 using an intercept correction. This is what was reported in Figure 2.2.

A Details of the mathematical analysis.

A.1 Identification

Here, we prove Theorem 4.1. Corollary 2 of Kuang, Nielsen and Nielsen (2008a) shows that the parameter ξ in (4.1) uniquely identifies the predictor μ_{ij} for an age-period data array. It is therefore left to show the formula (4.2).

Rewrite β_j and γ_k using telescopic sums of the form $\beta_j = \beta_1 + \sum_{t=2}^j \Delta\beta_t$ and $\Delta\beta_t = \Delta\beta_2 + \sum_{s=3}^t \Delta^2\beta_s$, with the convention that empty sums are zero, to get

$$\begin{aligned}\beta_j &= \beta_1 + (j-1)\Delta\beta_2 + \sum_{t=3}^j \sum_{s=3}^t \Delta^2\beta_s, \\ \gamma_k &= \gamma_1 + (k-1)\Delta\gamma_2 + \sum_{t=3}^k \sum_{s=3}^t \Delta^2\gamma_s.\end{aligned}$$

For the age effect use $\alpha_i = \alpha_I - \sum_{t=i+1}^I \Delta\alpha_t$ while $\Delta\alpha_t = \Delta\alpha_I - \sum_{s=t+1}^I \Delta^2\alpha_s$ so that

$$\alpha_i = \alpha_I - (I-i)\Delta\alpha_I + \sum_{t=i}^{I-2} \sum_{s=t}^{I-2} \Delta^2\alpha_{s+2}.$$

Substitute these expressions into (3.4) noting that $k = I - i + j$ while $\mu_{I1} - \mu_{I-1,1} = \Delta\alpha_I - \Delta\gamma_2$ and $\mu_{I2} - \mu_{I1} = \Delta\beta_2 + \Delta\gamma_2$ to get that

$$\begin{aligned} \mu_{ij} = & \mu_{I1} + (i-I)(\mu_{I1} - \mu_{I-1,1}) + (j-1)(\mu_{I2} - \mu_{I1}) \\ & + \sum_{t=i}^{I-2} \sum_{s=t}^{I-2} \Delta^2\alpha_{s+2} + \sum_{t=3}^j \sum_{s=3}^t \Delta^2\beta_s + \sum_{t=3}^k \sum_{s=3}^t \Delta^2\gamma_s, \end{aligned}$$

which is the desired formula (4.2). This concludes the proof of Theorem 4.1.

An alternative parametrisation in terms of double sums of double differences arises as follows. The formula (4.2) implies that $\mu = X'_{ij}\xi$, where ξ and X_{ij} are given in (4.1) and (4.12). Any one-one mapping of ξ will also identify the likelihood. In practice it may be convenient to work directly with the double sums of the double differences, so that $\mu_{ij} = \check{X}'_{i,j}\check{\xi}$, where

$$\begin{aligned} \check{\xi} = & (\mu_{I1}, \mu_{I1} - \mu_{I-1,1}, \mu_{I2} - \mu_{I1}, \sum_{t=3}^{I-2} \sum_{s=t}^{I-2} \Delta^2\alpha_{s+2}, \dots, \sum_{t=I-2}^{I-2} \sum_{s=t}^{I-2} \Delta^2\alpha_{s+2}, \\ & \sum_{t=3}^3 \sum_{s=3}^t \Delta^2\beta_s, \dots, \sum_{t=3}^J \sum_{s=3}^t \Delta^2\beta_s, \sum_{t=3}^3 \sum_{s=3}^t \Delta^2\gamma_s, \dots, \sum_{t=3}^K \sum_{s=3}^t \Delta^2\gamma_s)', \quad (\text{A.1}) \end{aligned}$$

and \check{X} is defined by replacing the function $h(t, s)$ with $\check{h}(t, s) = 1_{(t=s)}$ in (4.12).

A.2 Inference using multinomial sampling

An asymptotic distribution theory for the estimator $\widehat{\xi}^{(2)}$ can be established from the multinomial sampling scheme. Note first that

$$\left(\frac{\partial}{\partial \xi^{(2)}} \pi_{ij}\right)' = \pi_{ij} H_{ij}^{(2)} \quad \text{with} \quad H_{ij}^{(2)} = X_{ij}^{(2)} - \sum_{s,t \in \mathcal{I}} \pi_{st} X_{st}^{(2)}. \quad (\text{A.2})$$

The information for the multinomial likelihood is then

$$i(\xi^{(2)}) = -\frac{\partial^2}{\partial \xi^{(2)'} \partial \xi^{(2)}} \log L(\xi^{(2)}; Y|Y_{\cdot}) = \widehat{\tau} i_1(\xi^{(2)}),$$

where the information about one observation is

$$i_1(\xi^{(2)}) = \sum_{i,j} \pi_{ij} H_{ij}^{(2)} X_{ij}^{(2)'} = \sum_{i,j} \pi_{ij} H_{ij}^{(2)} H_{ij}^{(2)'}. \quad (\text{A.3})$$

Using the δ -method the estimated frequencies are seen to satisfy

$$\tau^{1/2}(\widehat{\pi}_{ij} - \pi_{ij}) \xrightarrow{D} \mathbf{N}[0, \pi_{ij}^2 H_{ij}^{(2)'} \{i_1(\xi^{(2)})\}^{-1} H_{ij}^{(2)}]. \quad (\text{A.4})$$

The goodness-of-fit is assessed by computing the deviance to the saturated model

$$D(\hat{\xi}; Y) = 2 \left[\sum_{i,j} \{Y_{ij} \log(Y_{ij}) - Y_{ij}\} - \sum_{i,j} \{Y_{ij} X'_{ij} \hat{\xi} - \exp(X'_{ij} \hat{\xi})\} \right].$$

It holds for $Y_{.} \rightarrow \infty$ that

$$D(\hat{\xi}; Y) \xrightarrow{D} \chi^2_{IJ-p}. \quad (\text{A.5})$$

Hypotheses on $\xi^{(2)}$ can likewise be tested using χ^2 inference. The hypothesis of absence of period effect is of particular interest and is discussed in the following.

In §A.1 it was suggested that the canonical parameter could either be chosen as ξ from (4.1) or as $\check{\xi}$ from (A.1), which are equivalent parametrisations. In an empirical study both can be used depending on which aspect of the parameters it is desirable to illustrate. The asymptotic analysis discussed here carries over from ξ to $\check{\xi}$ in a straight forward way because the corresponding design matrices share the first coordinate which is used to define τ .

A.3 Forecasting

A.3.1 Point forecasting from an age-cohort model

Initially we consider point forecasting over the set \mathcal{J} , see (4.15), using an age-cohort model. In this case there is no need to extrapolate the estimate $\hat{\xi}$. Assume that $Y_{i,J+h}$ is $\text{Poisson}\{\exp(\mu_{i,J+h})\}$ -distributed with a log predictor that can be estimated by

$$\tilde{\mu}_{i,J+h} = \tilde{X}_{i,J+h}^{AC'} \hat{\xi}^{AC}, \quad (\text{A.6})$$

where $\hat{\xi}^{AC}$ estimates ξ^{AC} defined in (4.10) and the design (4.14) is extended so that

$$\tilde{X}_{i,J+h}^{AC} = \{1, -h^{AC}(1, i), \dots, -h^{AC}(I-1, i), h^{AC}(k, 2), \dots, h^{AC}(k, K)\}'. \quad (\text{A.7})$$

The multinomial parameter is extrapolated by

$$\tilde{\pi}_{i,J+h} = \hat{\tau}^{-1} \exp(\tilde{\mu}_{i,J+h}), \quad (\text{A.8})$$

which is positive, but not necessarily bounded by one. The point forecast of the number of deaths is therefore

$$\tilde{Y}_{i,J+h}^{point} = \exp(\tilde{\mu}_{i,J+h}) = \hat{\tau} \tilde{\pi}_{i,J+h}. \quad (\text{A.9})$$

A.3.2 Distribution forecasting for an age-cohort model

To construct a distribution forecast the distribution of the difference between the eventual outcome Y_{ij} and the point forecast $\tilde{Y}_{i,J+h}^{point}$ has to be assessed using the multinomial sampling scheme. Therefore write

$$Y_{i,J+h} - \tilde{Y}_{i,J+h}^{point} = (Y_{i,J+h} - \tau \pi_{i,J+h}) - \tau (\tilde{\pi}_{i,J+h} - \pi_{i,J+h}).$$

Normalise by the diverging parameter τ to get that

$$\tau^{-1/2} (Y_{i,J+h} - \tilde{Y}_{i,J+h}^{point}) = \tau^{-1/2} (Y_{i,J+h} - \tau \pi_{i,J+h}) - \tau^{1/2} (\tilde{\pi}_{i,J+h} - \pi_{i,J+h}). \quad (\text{A.10})$$

There are three ingredients to the asymptotic analysis.

The first term in (A.10) is the Poisson distributed innovation error. For large τ then

$$\tau^{-1/2}(Y_{i,J+h} - \tau\pi_{i,J+h}) \xrightarrow{D} \mathbf{N}(0, \pi_{i,J+h}).$$

Replace the variance $\pi_{i,J+h}$ by $\tilde{\pi}_{i,J+h}$ calculated in (A.8), noting that the estimation uncertainty is of order $\tau^{-1/2}$ and can be ignored for practical purposes.

The second term in (A.10) is the estimation error. The estimation uncertainty for $\tilde{\pi}_{ij}$ when $i, j \in \mathcal{I}$ is given in (A.4). Similarly, for $i, J+h \in \mathcal{J}$ it holds

$$\tau^{1/2}(\tilde{\pi}_{i,J+h} - \pi_{i,J+h}) \xrightarrow{D} \mathbf{N}[0, \pi_{i,J+h}^2 H_{i,J+h}^{(2)'} \{i_1(\xi^{(2)})\}^{-1} H_{i,J+h}^{(2)}].$$

Thirdly, the innovation error relating to the index set \mathcal{J} and the estimation error relating to the index set \mathcal{I} are independent due to the independence assumption.

The overall distribution forecast is then

$$\tilde{Y}_{i,J+h}^{distribution} = \hat{\tau} \tilde{\pi}_{i,J+h} + \mathbf{N}(0, s_{i,J+h}^2), \quad (\text{A.11})$$

$$s_{i,J+h}^2 = \hat{\tau} \tilde{\pi}_{i,J+h} (1 + s_{i,J+h,est}^2), \quad (\text{A.12})$$

$$s_{i,J+h,est}^2 = \tilde{\pi}_{i,J+h} H_{i,J+h}^{(2)'} \{i_1(\hat{\xi}^{(2)})\}^{-1} H_{i,J+h}^{(2)}. \quad (\text{A.13})$$

Here $\hat{\tau} = Y_{..}$ is the total number of deaths, $\tilde{\pi}_{i,J+h}$ is the point forecast in (A.8), $H_{ij}^{(2)}$ is defined in (A.2), and the information $i_1(\hat{\xi}^{(2)})$ is computed as in (A.3).

The forecasts can be aggregated over, for instance, age i as follows. The aggregate point forecasts is $\tilde{Y}_{.,J+h}^{point} = \sum_{i=h+1}^I \tilde{Y}_{i,J+h}^{point}$. The innovation errors are independent across cells while the estimation errors are dependent across cells. It follows that

$$\tilde{Y}_{.,J+h}^{point} = \hat{\tau} \sum_{i=h+1}^I \tilde{\pi}_{i,J+h} \quad (\text{A.14})$$

$$\tilde{Y}_{.,J+h}^{distribution} = \tilde{Y}_{.,J+h}^{point} + \mathbf{N}(0, s_{.,J+h}^2), \quad (\text{A.15})$$

$$s_{.,J+h}^2 = \hat{\tau} \sum_{i=h+1}^I \tilde{\pi}_{i,J+h} + \hat{\tau} \sum_{s=h+1}^I \sum_{t=h+1}^I \tilde{\pi}_{s,J+h} H_{s,J+h}^{(2)'} i_1^{-1} H_{t,J+h}^{(2)} \tilde{\pi}_{t,J+h}. \quad (\text{A.16})$$

Distribution forecasting was also considered by Elkum (2005) in the context of an ad hoc identified age-period model. That analysis does not seem to distinguish errors from estimation and forecast innovations.

A.3.3 Point forecasting from an age-period-cohort model

When forecasting from the age-period-cohort model it is necessary to extrapolate the period effect. When extrapolating it is often tempting to ad hoc identify the level and slope of the period effect. Such an approach has to be done since Kuang, Nielsen and Nielsen (2008b) show that adverse effects from ad hoc identification are avoided if and only if the extrapolation is done directly on the canonical parameter.

For the mesothelioma data mortality the period effect evolves in a relatively smooth way, indeed, it is not significant. Then a simple linear trend extrapolation suffices.

Form a time series x_3, \dots, x_J by $x_j = \sum_{t=3}^j \sum_{s=3}^t \Delta^2 \beta_s$ using the canonical parameter $\check{\xi}$ of (A.1). Fit the linear regression

$$x_j = \nu_c + \nu_\ell j + \varepsilon_j \quad \text{for } j = 3, \dots, J \quad (\text{A.17})$$

by least squares. This gives the extrapolation

$$\tilde{x}_{J+h} = \hat{\nu}_c + \hat{\nu}_\ell(J+h), \quad (\text{A.18})$$

which is constructed in terms of $\bar{j} = (J-2)^{-1} \sum_{j=3}^J j$ and $\bar{x} = (J-2)^{-1} \sum_{j=3}^J x_j$ and the estimators

$$\hat{\nu}_\ell = \frac{\sum_{j=3}^J x_j(j-\bar{j})}{\sum_{j=3}^J (j-\bar{j})^2}, \quad \hat{\nu}_c = \bar{x} - \hat{\nu}_\ell \bar{j}.$$

To get the overall point forecast of the predictor insert this in (4.2) to get

$$\begin{aligned} \tilde{\mu}_{i,J+h} = & \hat{\mu}_{I1} - (I-i)(\hat{\mu}_{I1} - \hat{\mu}_{I-1,1}) + (j-1)(\hat{\mu}_{I2} - \hat{\mu}_{I1}) \\ & + \sum_{t=i}^{I-2} \sum_{s=t}^{I-2} \Delta^2 \hat{\alpha}_{s+2} + \tilde{x}_{J+h} + \sum_{t=3}^k \sum_{s=3}^t \Delta^2 \hat{\gamma}_s. \end{aligned} \quad (\text{A.19})$$

The extrapolation method (A.17) is linear trend preserving. Therefore it could also be applied to ad hoc identified period effects. The ad hoc identified period effect is of the form $x_j^{adhoc} = x_j + b + dj$ for $j = 3, \dots, J$ and $x_j^{adhoc} = b + dj$ for $j = 1, 2$, for some arbitrarily chosen real values b, d . Applying the above method to x_j^{adhoc} for $j = 3, \dots, J$ rather than to x_j will give exactly the same forecast for the predictor $\mu_{i,J+h}$.

A subtle point is that the linear trend forecast could also be applied to x_j^{adhoc} for $j = 1, \dots, J$. This forecast is, however, different. It is linear trend preserving so the difference is not arising from arbitrariness of the ad hoc identification, but rather arising from the different time series properties of the two extrapolation methods. Graphing the time series x_j^{adhoc} for $j = 1, \dots, J$ will in general reveal that the first two observations stand out from the rest of the series. The only exception is when the ad hoc identification is chosen so as to avoid this, but this is rarely the case. From a time series view point a fit to the entire series $j = 1, \dots, J$ would therefore not seem appropriate.

A.3.4 Robust point forecasting

When forecasting one is often faced with the problem that the model for the data does not quite extend to the forecast period. Small or large jumps in the data at the forecast origin can result in forecast failure. The lesson from the time series literature is that the main cause of forecast failure is jumps in the mean. We discuss two ways of robustifying the extrapolation: intercept corrections and working with differenced data, see also Hendry and Nielsen (2007, §21) for a discussion in the context of time series data.

For the mesothelioma data an intercept corrections appears sensible since the last observations appear to jump relatively to the previous one without an indication of a permanent shift in the trend. The idea is simply to add the last in-sample residual to

the standard forecasts outlined above. Since the mean is parametrised on a log scale this is done as follows. Recall the aggregated point forecast $\tilde{Y}_{\cdot, J+h}^{point}$ from (A.14) and note that the in-sample predictor for $Y_{\cdot, J}$ is $\hat{Y}_{\cdot, J} = \sum_{i=1}^J \hat{\tau} \hat{\pi}_{iJ}$. The intercept correction is then given by

$$\tilde{Y}_{\cdot, J+h}^{point, IC} = \tilde{Y}_{\cdot, J+h}^{point} \frac{Y_{\cdot, J}}{\hat{Y}_{\cdot, J}} = \hat{\tau} \sum_{i=h+1}^J \tilde{\pi}_{i, J+h} \frac{\sum_{i=1}^J Y_{iJ}}{\sum_{i=1}^J \hat{\tau} \hat{\pi}_{iJ}}. \quad (\text{A.20})$$

For the age-period-cohort model another possibility for intercept correction arises in relation to the extrapolation of the period effect. Working with the linear extrapolation method of (A.18) the idea is to add the residual $\hat{\varepsilon}_J = x_J - \hat{v}_c - \hat{v}_\ell$ to the forecast \tilde{x}_{J+h} giving the intercept corrected extrapolation

$$\tilde{x}_{J+h}^{IC} = \tilde{x}_{J+h} + \hat{\varepsilon}_J = x_J + \hat{v}_\ell h. \quad (\text{A.21})$$

This is then inserted in (A.19) instead of \tilde{x}_{J+h} from (A.18).

When there are more abrupt changes in the time series robust forecasts near the forecast origin it can be important to robustify against this by working with the differenced data. Such an abrupt change is seen in the data albeit in the middle of the sample. Figure 2.1(a) shows the of number of deaths by period. It is seen that there is a tendency to exponential growth until about 1987, after which the growth slows down. This could very well be a result of the asbestos legislation introduced from 1969 and onwards. If only data until about 1991 were available this issue would be critical for forecasting as illustrated in §5.5. With that restricted set of data the youngest cohorts would have been exposed to asbestos, but due to the long latency of mesothelioma the cohort effects would be poorly estimated. Kuang, Nielsen and Nielsen (2011) discuss robustification of an age-period-cohort applied to an age-cohort array of data, whereas a general time series discussion is given in Clements and Hendry (1999) or Hendry and Nielsen (2007, §21). Those methods could have proved helpful if only data until 1991 had been available.

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