I have reviewed the manuscript, the authors' response to the reviewer's initial comments, and the reviewer's final round of comments. I agree with most of the reviewer's comments, though I do not agree that the paper should be rejected. The paper could still be published, as it is unlikely that any one single paper will adequately answer the question at hand. Each well-written paper on the topic contributes incrementally to the achievement of the final goal. The caveat is that the authors would have to be willing to expand the discussion section of the paper to include a more complete discussion of the limitations. If they are not willing, then I would also recommend rejection.

In other words, from the authors' original letter responding to comment #1 (why the endogeneity issue was not dealt with more directly), the authors should compose a summary to add to the limitations section. Specifically, they should eliminate the reference to RAND and add a comment to the section regarding the ratio of health effects/costs explaining that a biased ratio can still lead to incorrect conclusions (the direction of the bias is generally assumed to be positive, but can be negative in the case of employer-based supplements). The authors should also add to the limitations section a statement that, though their paper has shown an association between expenditures and supplemental insurance and between life expectancy and supplemental insurance, stronger evidence is needed to demonstrate a causal relationship.

The authors should then proceed to tell us what the next steps in the research should be. What other variables should be examined that were not examined in the current manuscript? I agree with the reviewer that 1.6 additional office visits and 3 more prescription drugs are unlikely to increase life expectancy by almost 1 year. Further research is needed to ensure that some other factor(s) are not responsible.

Minor comments:

From page 7, move "Hazard ratio estimates were unstable...(see technical appendix)." to the results section.

Page 9: Explain why the 70 year olds were less cost effective than the 75 year olds since this is the only exception to the downward trend.

Table 3: Add the word, "Observed" as a header over the private supplemental insurance and Medicare-only columns.

Page 17, Figure 1: Should follow Table 5, not precede it. This figure could even be eliminated as there are already 5 tables in the paper. If deleted, summarize in an additional sentence on page 9 the range of the
findings.