



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Has the Time Come for Cost-Effectiveness Analysis in U.S. Health Care?

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Synopsis

Three-quarters of key decision-makers from a diverse group of California-based health care organizations believe that cost-effectiveness criteria should be used when making insurance coverage decisions. However, the study's authors, who conducted educational workshops and facilitated discussions with the decision-makers, found that legal risks and other business-related barriers deter organizations from using such information. The study participants also reported being uncomfortable with the concept of "rationing"—indicating that how cost-effectiveness analysis is framed will be crucial to its broader acceptance.

The Issue

Many industrialized nations consider the comparative cost-effectiveness of treatments and medications—the “value for money” they produce—when deciding which ones will be covered by health insurance. In the United States, however, health care leaders and policymakers are reluctant to employ cost-effectiveness analysis (CEA), instead focusing on treatments' safety and efficacy only. In fact, the Centers for Medicare and Medicaid Services (CMS) explicitly bars cost-effectiveness criteria in coverage decisions. Health care regulators, purchasers, and payers cite three main procedural barriers to adopting CEA: 1) the risk of litigation; 2) the conflict between their short-term focus and CEA's emphasis on long-term patient outcomes; and 3) a concern that manufacturer-sponsored economic studies may be biased. Moreover, private health plans maintain it is not their role to lead the public toward acceptance of CEA.

“If CMS were to take the lead on this issue, many would follow quite cheerfully.”

Key Findings

- Following their participation in the CEA workshops, 72 percent of the health care leaders said CEA should be used in all coverage decisions, and more than 90 percent said Medicare should use cost-effectiveness criteria in coverage decisions.

- Post-training, the study participants altered a list of treatment priorities to favor those that are more cost-effective.
- Two-thirds of health care leaders reported that their organization’s short-term perspective on decisions is a barrier to using CEA. Short-term decisions often reflect patient “churn”—turnover in enrollment that results from people switching health plans.
- Two-thirds of study participants said that litigation risk is a barrier to adopting CEA. The predominant fear is that an organization risks being sued if it denies access to treatments that are known to be highly medically effective but fail to demonstrate long-term cost-effectiveness.
- At the conclusion of the workshop, a significant minority of participants remained uncomfortable with “rationing” in health care.

Addressing the Problem

If CMS were to revisit its policy of excluding cost-effectiveness analysis in coverage decisions, it might help pave the way for private payers to bring CEA into the commercial market, the study’s authors say. Payers and the legal and policy communities, however, would need to explore ways of reducing the litigation risk associated with CEA. To increase public acceptance, the authors suggest referring to decision-making based on comparative effectiveness as “prioritization,” rather than “rationing”—a term that has made CEA a lightning rod for criticism.

About the Study

The authors surveyed and engaged in a facilitated discussion with 58 California health care decision-makers to clarify the degree to which CEA was understood and accepted and to identify barriers to its greater use. Surveys took place before and after a half-day educational workshop on CEA, and a facilitated discussion followed the training. Participants were recruited from six California-based health care organizations: Kaiser Permanente, the Department of Health Services, the Pacific Business Group on Health, Blue Shield of California, Integrated Healthcare Association, and the Department of Managed Health Care. Participants represented clinical, strategic, financial, and legal decision-making positions.

The Bottom Line

Health care leaders would welcome using cost-effectiveness criteria to make medical coverage decisions, but legal and business barriers currently prevent its broad acceptance.

Citation

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