

Perception vs. Reality
*Understanding the Economics
of the Cost of Health Care*

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Prevention on the Campaign Trail

Clinton



“Focus on prevention: wellness not sickness”

<http://www.medicalnewstoday.com/articles/72229.php>

Dodd



“Focus on Prevention. The Dodd plan will focus on chronic disease management and preventive measures”

<http://chrisdodd.com/node/1924>

Edwards



“Study after study shows that primary and preventive care greatly reduces future health care costs, as well as increasing patients' health.”

<http://johnedwards.com/issues/health-care/health-care-fact-sheet/>

Huckabee



If we were to focus on preventing disease, “We would save countless lives, pain and suffering by the victims of chronic conditions, and billions of dollars.”

<http://huckabee.wordpress.com/2007/07/13/huckabees-statement-on-michael-moore/>

Obama



“Too little is spent on prevention and public health.”

<http://www.barackobama.com/issues/healthcare/>

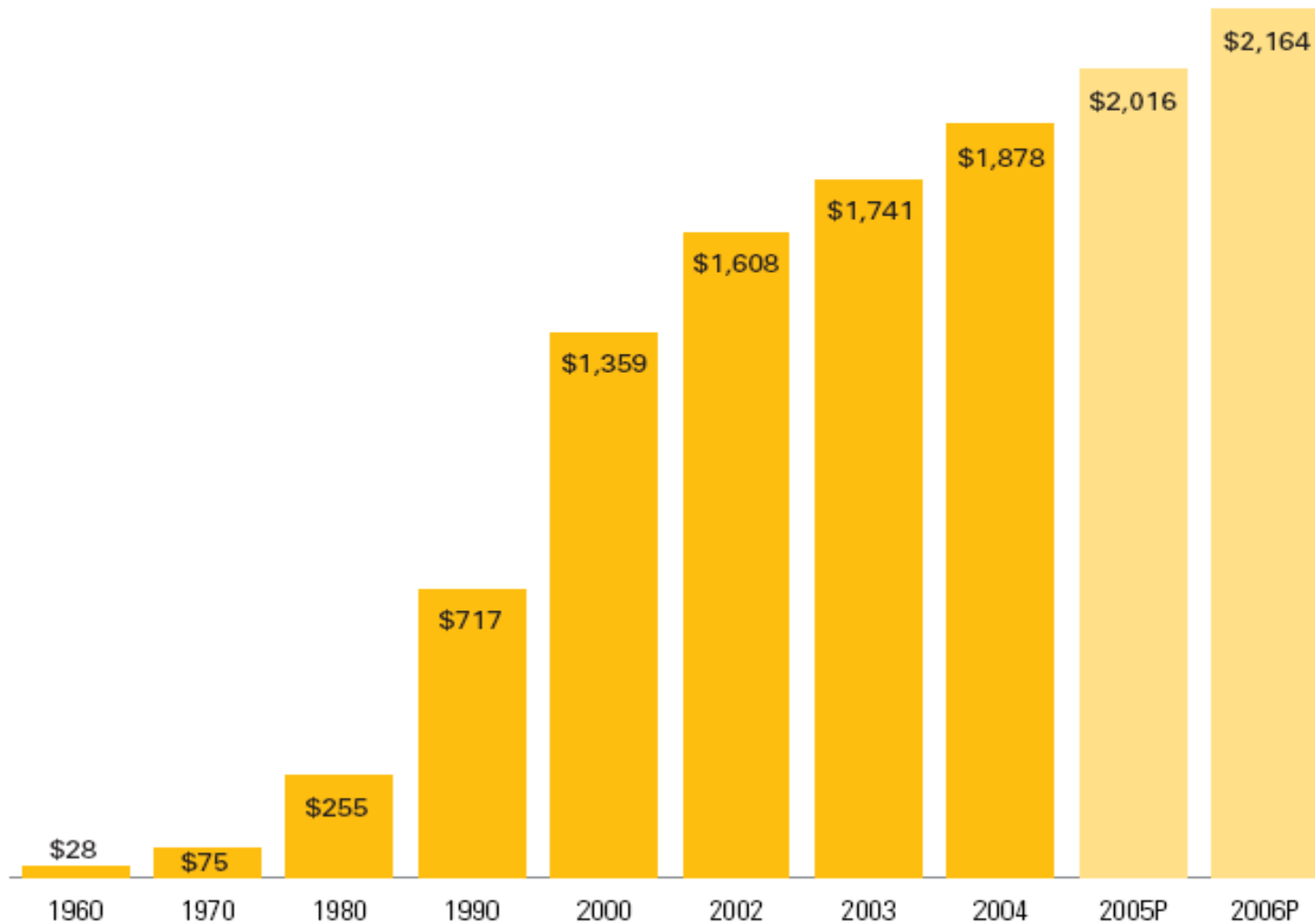
Thompson



I am committed to a plan that “Improves the individual health of all Americans by shifting to a system that promotes cost-effective prevention, chronic-care management, and personal responsibility”

<http://www.fred08.com/Principles/PrinciplesSummary.aspx?View=OnTheIssues>

National Health Spending in Billions

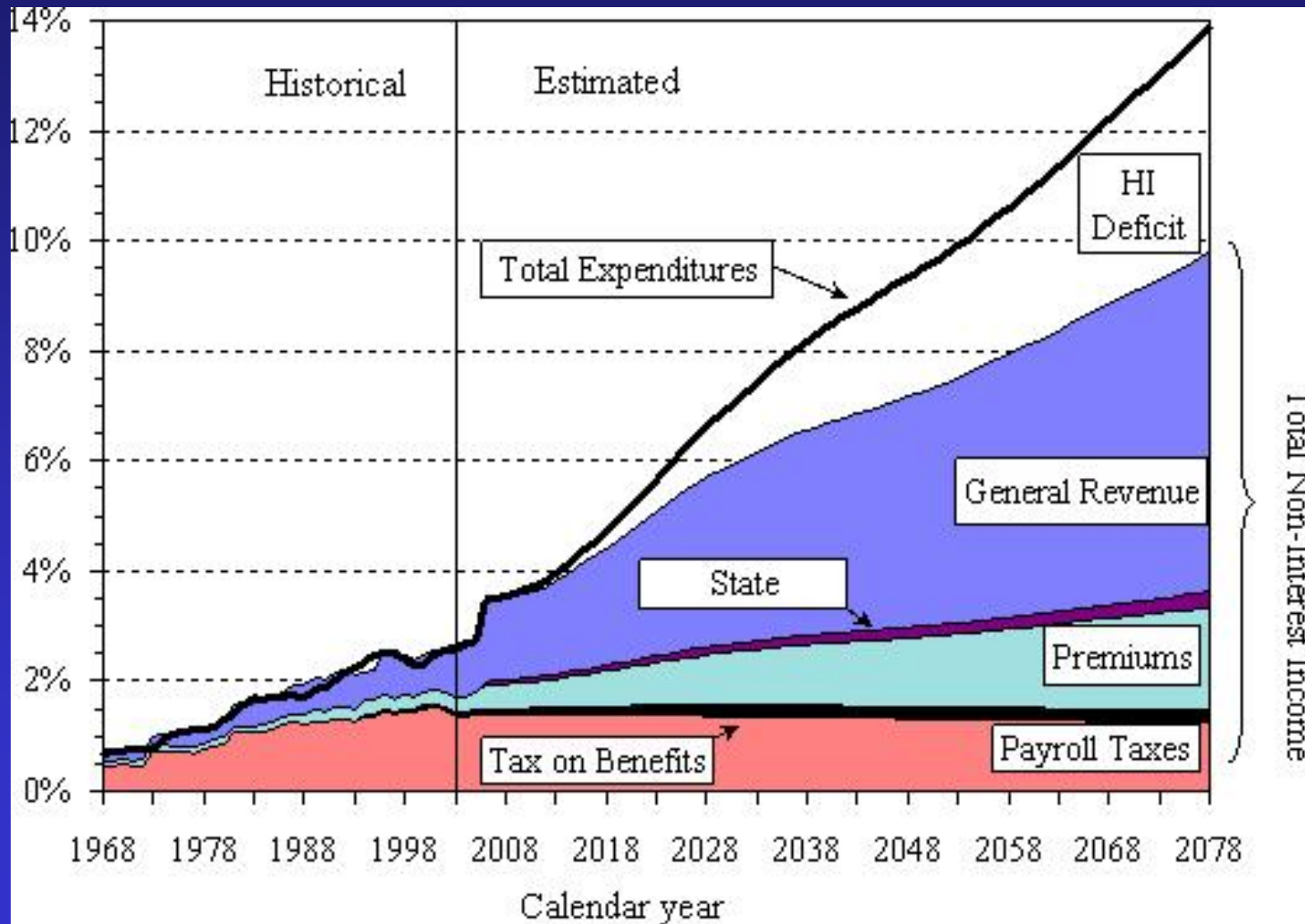


Note: Selected rather than continuous years of data are shown prior to 2002. Years 2005 forward are CMS projections.

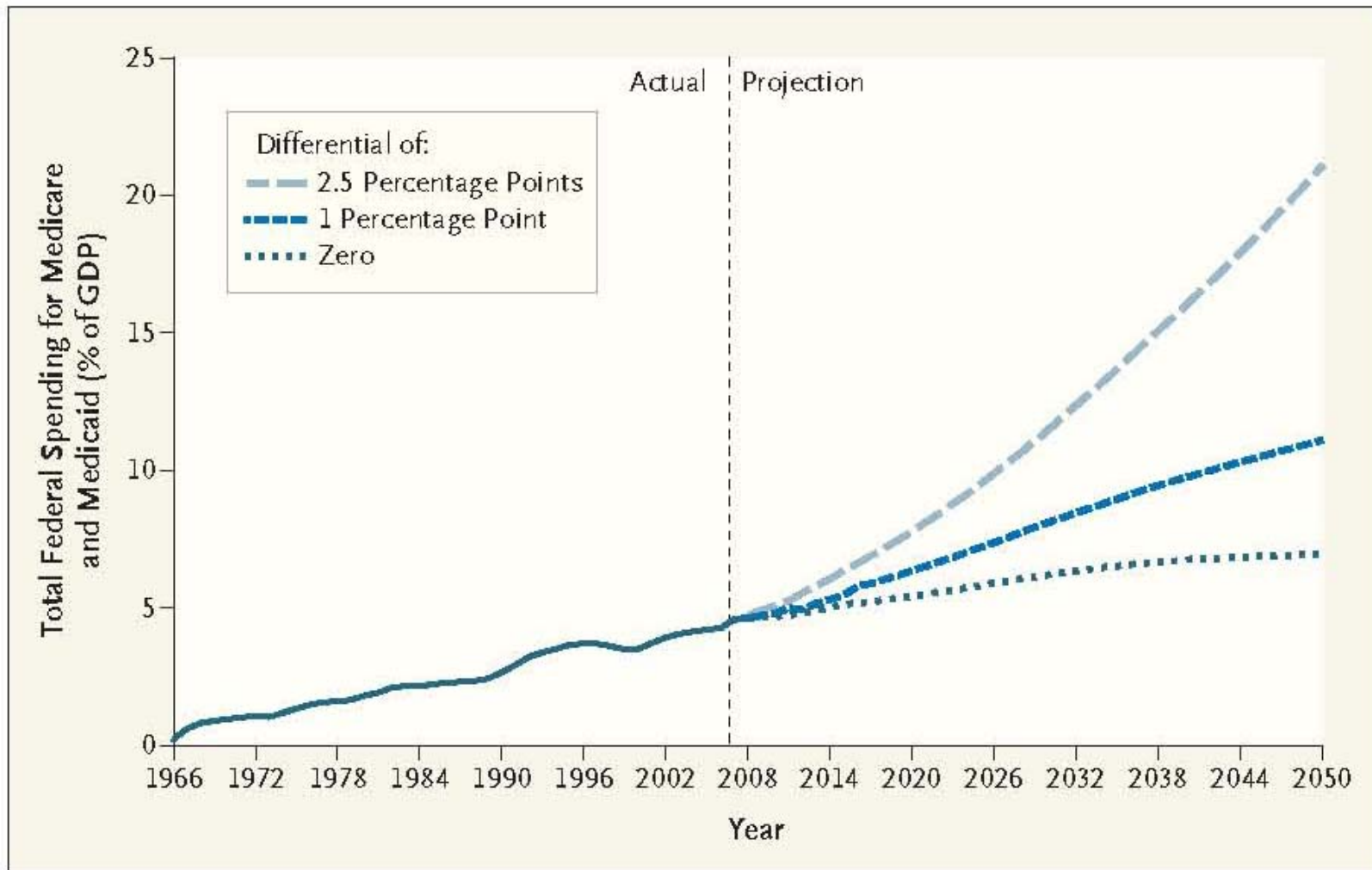
Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary.

Medicare expenditures and income as % of GDP

% GDP

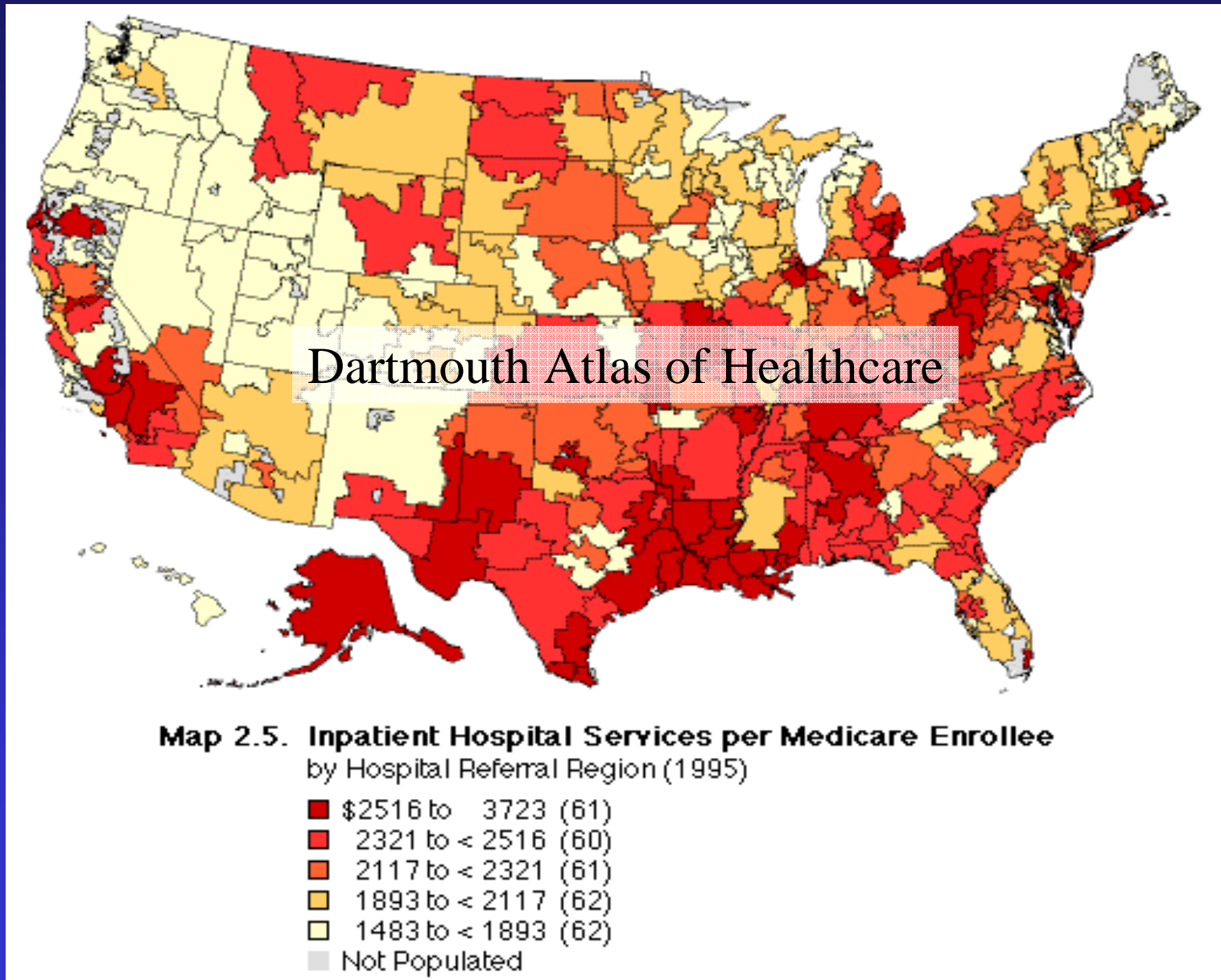


Source: Medicare Trustees Report, 2005

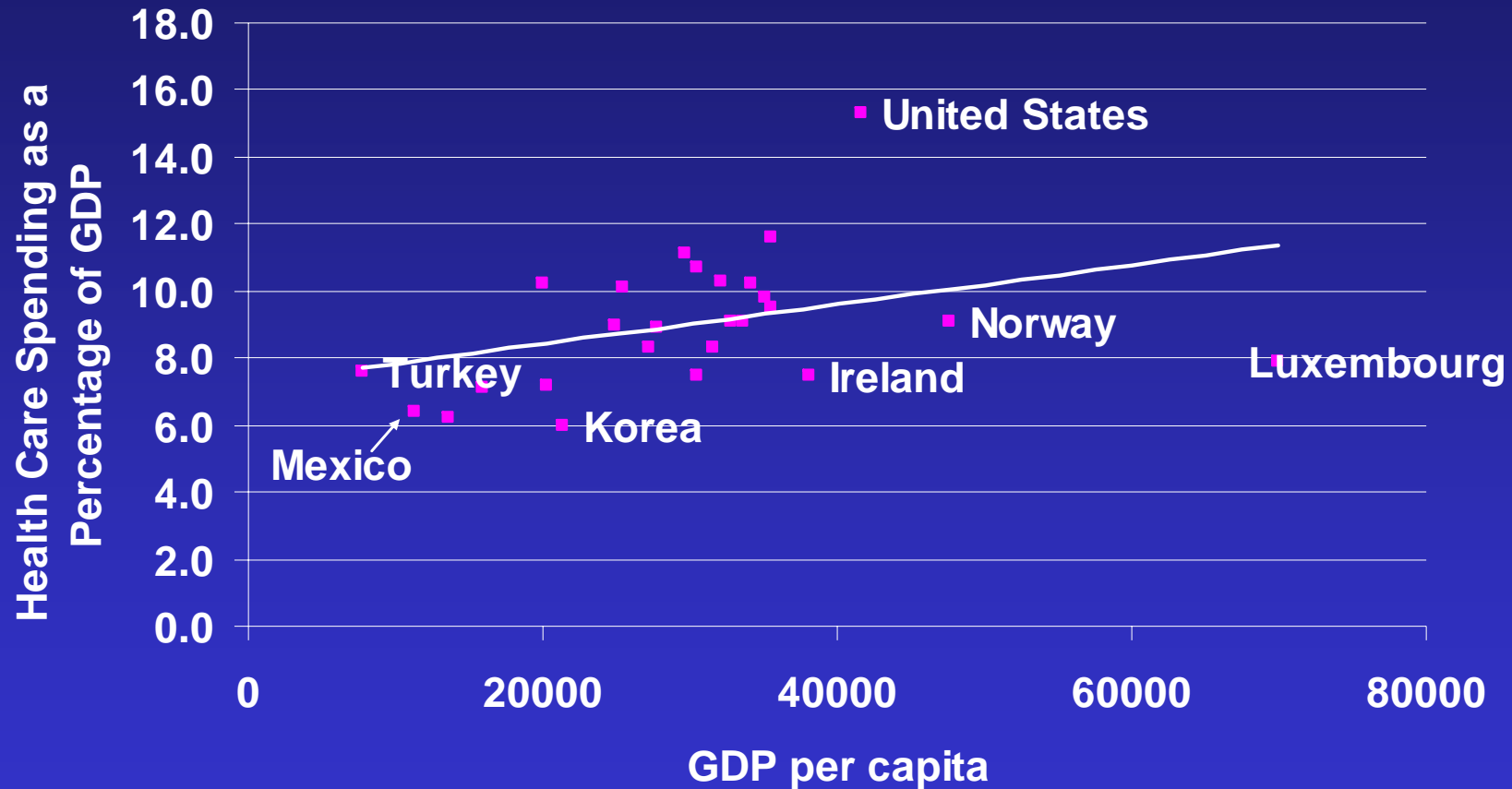


Projected Federal Spending for Medicare and Medicaid under Various Assumptions about the Growth Differential between Health Care Costs and the Gross Domestic Product per Capita.

A Variation Problem



Health Care Spending And GDP Per Capita Across Countries, 2006



Some myths about health care costs

Myth #1: Prevention saves money



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Perspective
FEBRUARY 14, 2008

**Does Preventive Care Save Money? Health Economics
and the Presidential Candidates**

Joshua T. Cohen, Ph.D., Peter J. Neumann, Sc.D., and Milton C. Weinstein, Ph.D.

Cost-Effectiveness of Selected Preventive Measures and Treatments for Existing Conditions (2006 Dollars).^{3*}

Intervention	Cost-Effectiveness Ratio
Preventive measures	
<i>Haemophilus influenzae</i> type b vaccination of toddlers	Cost-saving
One-time colonoscopy screening for colorectal cancer in men 60–64 years old	Cost-saving
Newborn screening for medium-chain acyl-coenzyme A dehydrogenase deficiency	\$160/QALY
High-intensity smoking-relapse prevention program, as compared with a low-intensity program	\$190/QALY
Intensive tobacco-use prevention program for seventh- and eighth-graders	\$23,000/QALY
Screening all 65-year-olds for diabetes as compared with screening 65-year-olds with hypertension for diabetes	\$590,000/QALY
Antibiotic prophylaxis (amoxicillin) for children with moderate cardiac lesions who are undergoing urinary catheterization	Increases cost and worsens health

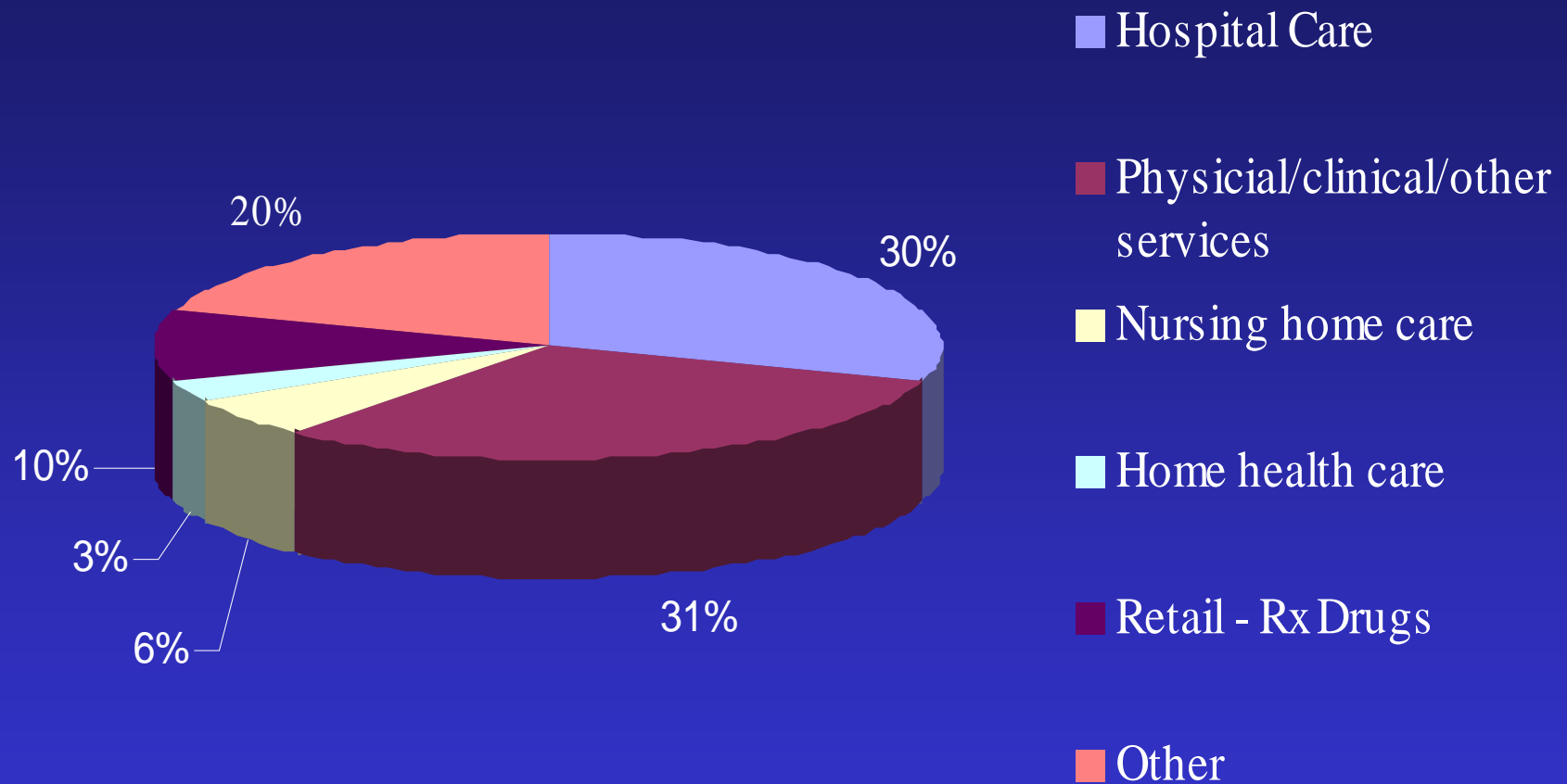
Cost-Effectiveness of Selected Treatments

Treatments for existing conditions

Cognitive-behavioral family intervention for patients with Alzheimer's disease	Cost-saving
Cochlear implants in profoundly deaf children	Cost-saving
Combination antiretroviral therapy for HIV-infected patients	\$29,000/QALY
Liver transplantation in patients with primary sclerosing cholangitis	\$41,000/QALY
Implantation of cardioverter-defibrillators in appropriate populations, as compared with medical management alone	\$52,000/QALY
Left ventricular assist device, as compared with optimal medical management, in patients with heart failure who are not candidates for transplantation	\$900,000/QALY
Surgery in 70-year-old men with a new diagnosis of prostate cancer, as compared with watchful waiting	Increases cost and worsens health

Myth #2: The problem is the cost of
prescription drugs

National Health Expenditures, 2006



**Myth #3: The U.S. overspends on
unnecessary technology**

Myth #4: We can painlessly save money if we only cut out “waste and inefficiency”

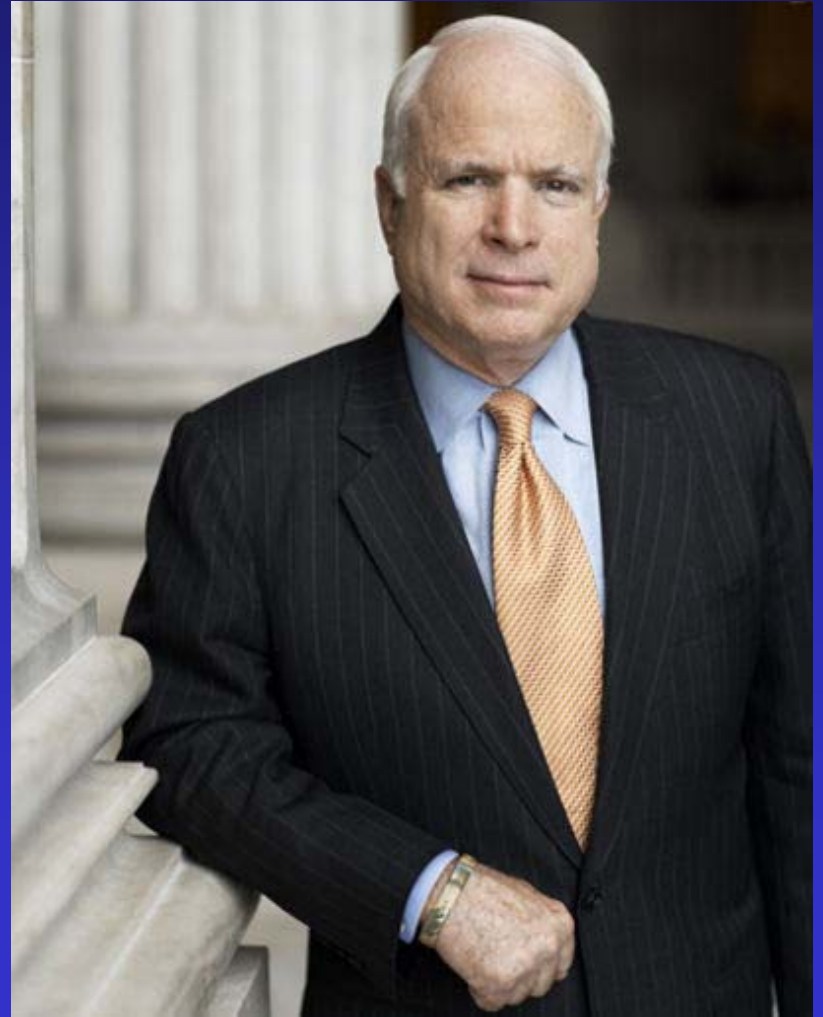
Myth #5: Comparative effectiveness
will save money

The long view

- Reforms (incremental?)
- Better clinical and economic evidence
- Value-based benefit design (paying for outcomes)
- Means-testing Medicare
- The role of innovation
- Tough choices

American Exceptionalism?





using
cost-effectiveness
analysis
to improve
health care

Opportunities and Barriers

Peter J. Neumann