

**Cost and Comparative Effectiveness:
Why, How, and Where**

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Limits and Public Policy



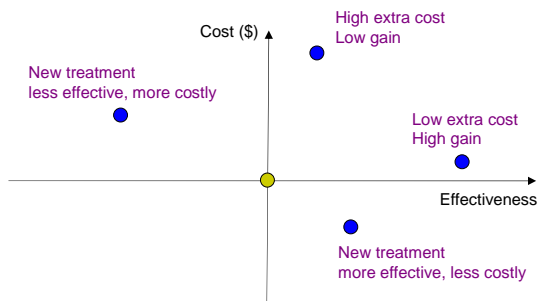
Why

- “Not to consider costs is delusional”
- Costs should be considered transparently and always in the context of clinical effectiveness
- Without consideration of cost
 - No societal support for explicit cost considerations in clinical decisions and medical policies
 - All explicit health plan efforts will be suspect
 - Continued difficulty negotiating prices in relation to evidence of incremental benefit
 - Marginal benefit at high price will continue to be a dominant market signal for manufacturers

How

- Prioritize the evidence reviews toward high cost services
- Implicitly require higher standards of evidence on clinical effectiveness for high cost services
- Force the issue of “comparable” effectiveness
 - If no “good” evidence that Drug A is better than Drug B, then call them comparable and...take the cheaper drug
- Use formal cost-effectiveness analyses

Weighing up costs and effects



Concerns about CEA

- Much depends on how cost-effectiveness is portrayed
 - THE DECISION vs. INFORMING policy options

ICER Integrated Evidence Rating

Comparative Clinical Effectiveness

Superior	A	Aa	Ab	Ac
Incremental	B	Ba	Bb	Bc
Comparable	C	Ca	Cb	Cc
Unproven	U/P	Ua	Ub	Uc
Insufficient	I	I	I	I
Comparative Value		a High	b Reasonable/ Comparable	c Low

Using Cost-effectiveness

- Washington state Health Care Authority
 - Denial of coverage for Virtual Colonoscopy
 - Coverage for ER use of Coronary CT Angiography
- Massachusetts collaborative on comparative effectiveness of options for prostate cancer
 - Patient and clinician information
 - Provider profiling and internal pay-for-performance
 - Tiered co-pays for patients
 - Set the stage for value-based pricing of emerging options



Where

- Carve-out
 - Commissioned by individual payers, including Medicare
- Arms' length
 - Funded as part of CER stream but function delegated to an allied yet separate organization
- Carve-in
 - ? Distrust of clinical effectiveness judgments if mixed with costs
 - More efficient to nest within same effort to generate a systematic review of the clinical evidence
 - Benefits from the objectivity and transparency of a federal comparative effectiveness initiative to gain broad acceptance



Cost principles for comparative effectiveness

- Costs are important
- Cost considerations must be transparent
- Costs should never be compared without simultaneous consideration of comparative clinical effectiveness

