

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

Steven D. Pearson, MD, MSc, FRCP  
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Limits and Public Policy



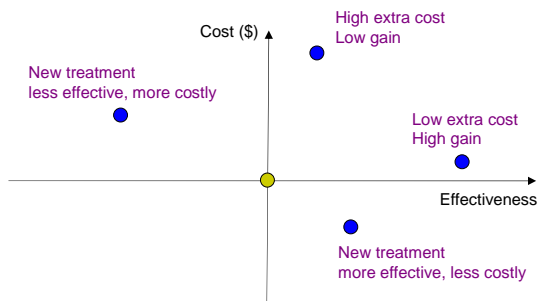
Why

- “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<br>High | b<br>Reasonable/<br>Comparable | c<br>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

