



Congressional Budget Office

Presentation to The Health Industry Forum

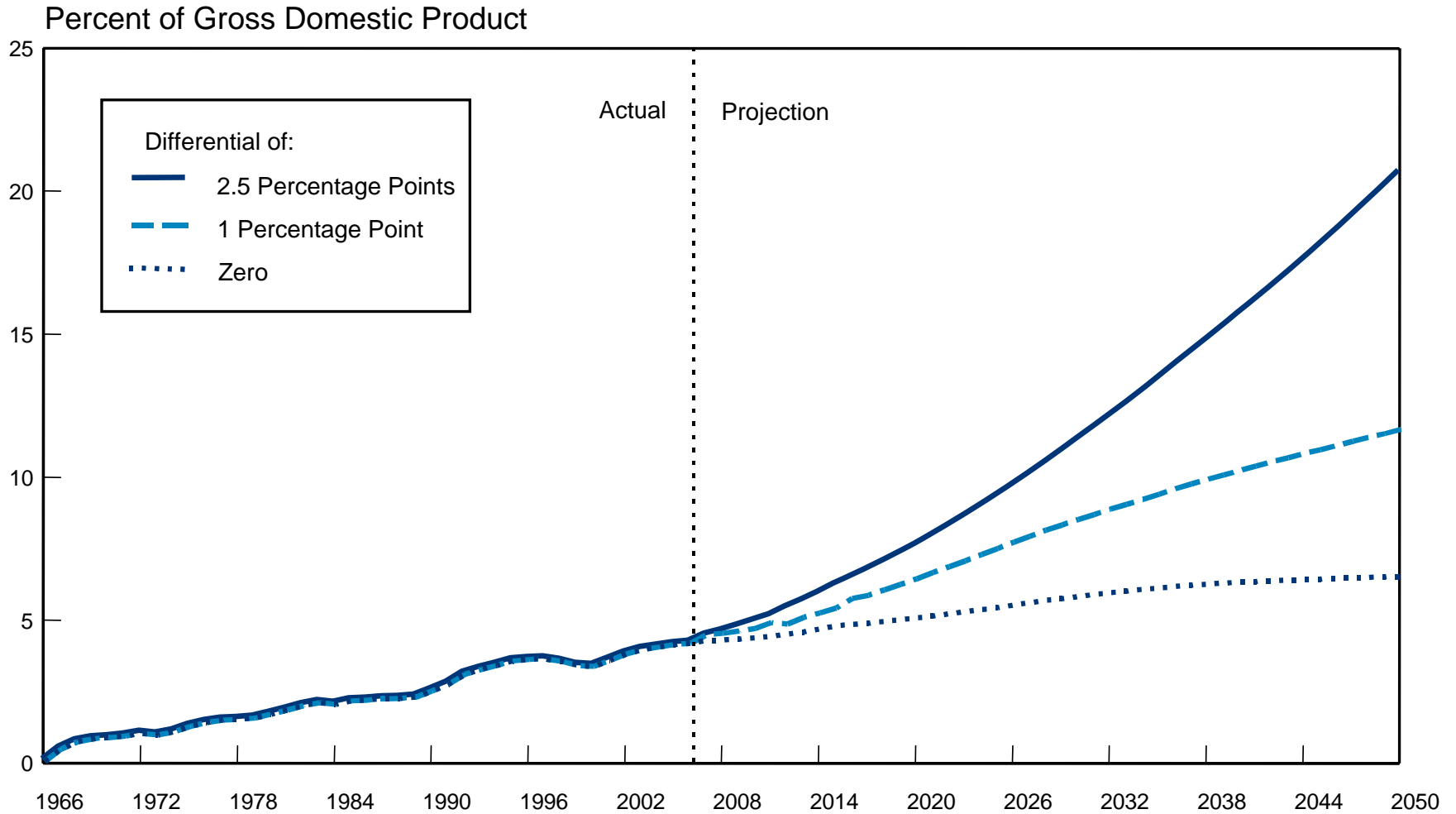
Comparative Effectiveness and the Federal Budget

**Philip Ellis
Congressional Budget Office**

July 25, 2007



Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential



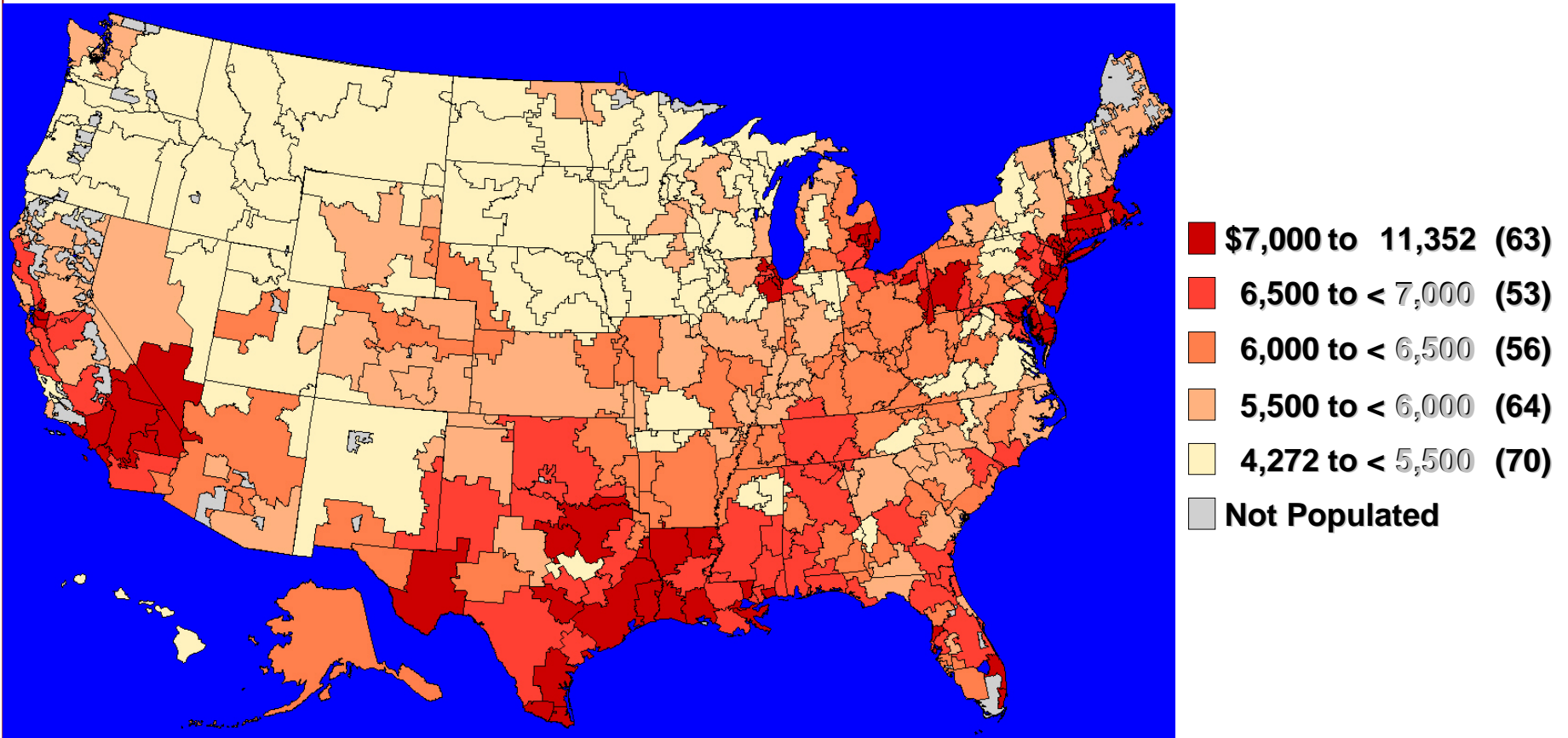


CBO Expanding its Work on Health Care

- CBO Increasingly Becoming the “Congressional Health Office”
 - Seeking to Increase Staff
 - Shifting Existing Staff to Health Work
 - Established Panel of Health Advisers
- Focus is on Providing More Analysis to the Congress of Options and their Effects on Spending and Other Outcomes
- Working on Report about Comparative Effectiveness
 - Testimony in June Before House Ways & Means Cmte.



Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: www.dartmouthatlas.org



Costs and Impact of Comparative Effectiveness Research Depend on Type of Research

- Systematic Reviews
- Modeling
- Analyses of Claims Data
- Registries
- Practical Clinical Trials
- Randomized Controlled Trials



Other Factors Affecting Budgetary Impact

- **In the Short Term, Several Constraints**
 - Time Needed to Generate New Findings, Reach Consensus
 - Time Needed to Incorporate Findings into Incentives
 - Changes to Medicare Required to Permit Full Adoption

- **In the Long Term, Savings Seem Likely**
 - Currently, Providers Usually Have Incentives to Adopt New Technology, Enrollees Have Little “Skin in the Game,” and Payers Have Limited Information
 - Expanding the Evidence Base Thus Seems More Likely to Limit Future Spending Increases than to Fuel Them



Key Questions

- Which Approach to Research is Most Cost-Effective?
 - More Evidence on Returns?
- Relative Power of Information and Incentives?
 - Consumer-Directed or Value-Based Insurance?
- Compare Clinical Effectiveness or Cost-Effectiveness of Treatments?
- Roles for Private and Public Insurers?
- How Much Could Spending/Variation be Reduced?
 - Would Health be Adversely Affected?
- Impact on Level of Spending or Growth Rate?