

Multilevel Considerations for Opportunity Costs

A Tale of Two Countries

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The US and UK Have a Great Deal in Common...



...or Very Little in Common Depending on your
Perspective of Healthcare Systems



NHS



The efficiency of UK's NHS is in large part attributable to the design of its National Institute for Health & Care Excellence (NICE)

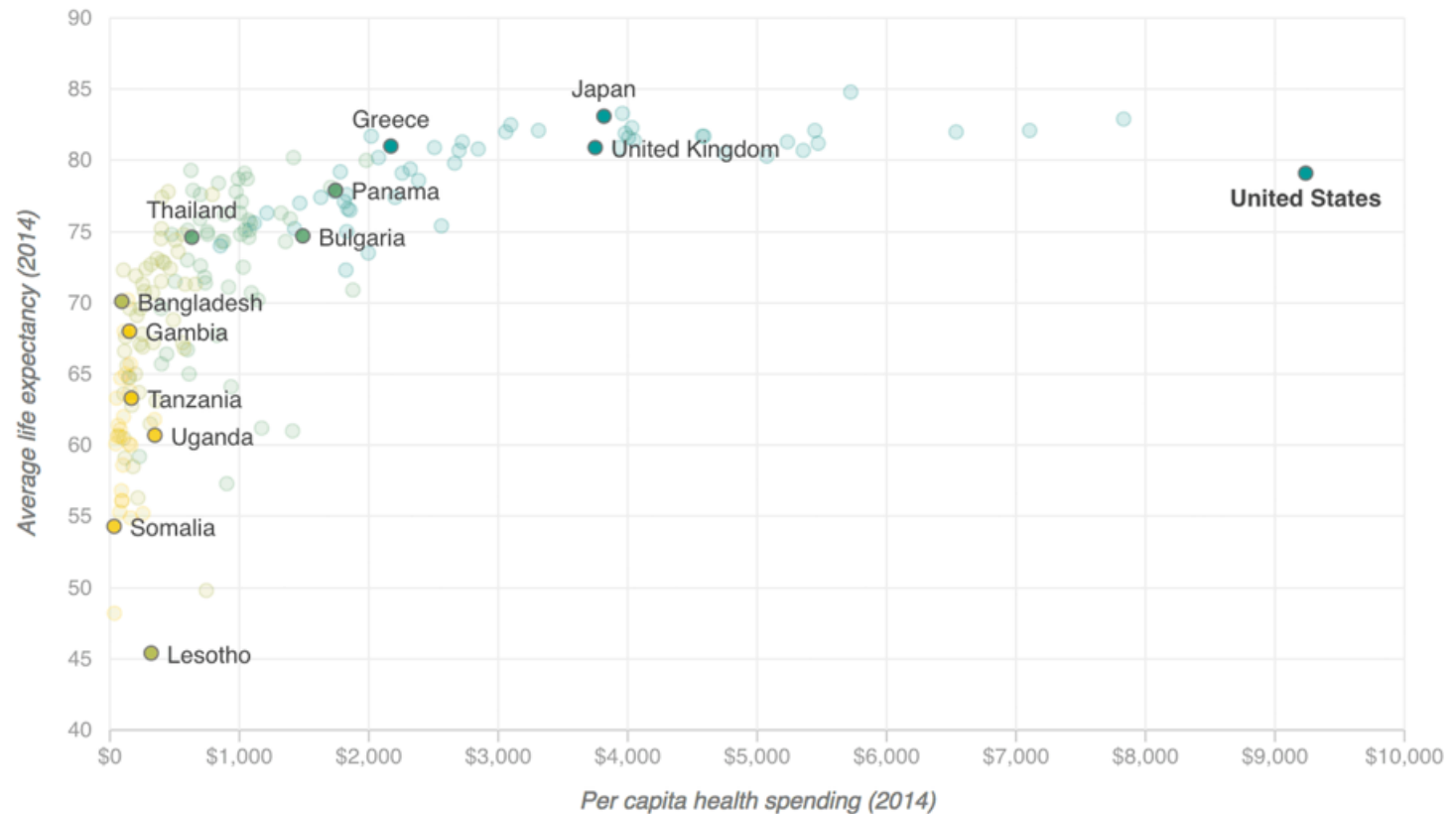
NICE
National Institute for
Health and Care Excellence



So what is NICE?

- An organization that uses clinical and economic evidence to recommend NHS coverage decisions
- Clinical effectiveness based on trial evidence
- Economic evidence based on Cost-Effectiveness Analysis
 - aka “Economic Evaluation”
 - aka “Health Technology Assessment”
- Economic evidence governed by a willingness-to-pay threshold
 - £20,000/QALY for most therapeutics
 - Up to £30,000/QALY for priority therapeutics
- These willingness-to-pay thresholds represent two interests:
 - Value for Money
 - Budget Constraints

If this graph can tell us anything, it's that clinical effectiveness combined with economic evaluation are critical to finding a sweet-spot in health system efficiency



Despite an implicit understanding of Value for Money in the US Healthcare System, we fail to make this understanding explicit or present policy solutions to fix wasteful spending on healthcare

JAMA | Special Communication

**Waste in the US Health Care System
Estimated Costs and Potential for Savings**

William H. Shrank, MD, MSHS; Teresa L. Rogstad, MPH; Natasha Parekh, MD, MS

\$760 billion to \$935 billion

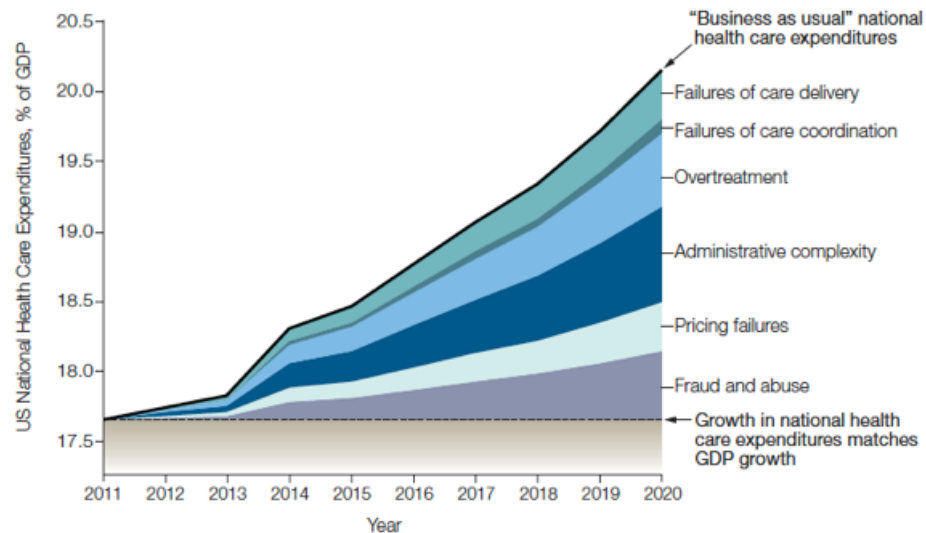
The amount we spend on waste in US healthcare

\$191 billion to \$282 billion

The amount we spend on interventions to reduce waste

Waste is prevalent in all of US Healthcare

Figure. Proposed “Wedges” Model for US Health Care, With Theoretical Spending Reduction Targets for 6 Categories of Waste



Eliminating Waste in US Health Care

Donald M. Berwick, MD, MPP
Andrew D. Hackbart, MPhil

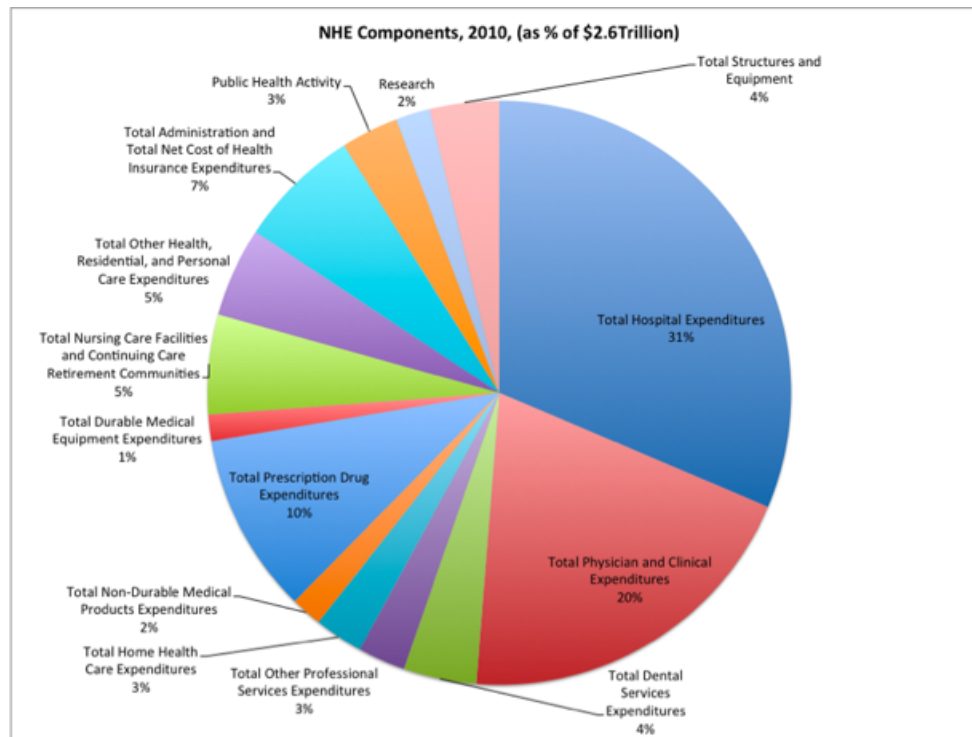
NO MATTER HOW POLARIZED politics in the United States have become, nearly everyone agrees that health care costs are unsustainable. At almost 18% of the gross domestic product (GDP) in 2011, headed for 20% by 2020,^{1,2} the nation's increasing health care expenditures reduce the resources available for other worthy government programs, erode wages, and undermine the competitiveness of US industry. Although Medicare and Medicaid are often in the limelight, the health care cost problem affects the private sector just

The need is urgent to bring US health care costs into a sustainable range for both public and private payers. Commonly, programs to contain costs use cuts, such as reductions in payment levels, benefit structures, and eligibility. A less harmful strategy would reduce waste, not value-added care. The opportunity is immense. In just 6 categories of waste—overtreatment, failures of care coordination, failures in execution of care processes, administrative complexity, pricing failures, and fraud and abuse—the sum of the lowest available estimates exceeds 20% of total health care expenditures. The actual total may be far greater. The savings potentially achievable from systematic, comprehensive, and cooperative pursuit of even a fractional reduction in waste are far higher than from more direct and blunter cuts in care and coverage. The potential economic dislocations, however, are severe and require mitigation through careful transition strategies.

JAMA. 2012;307(14):1513-1516
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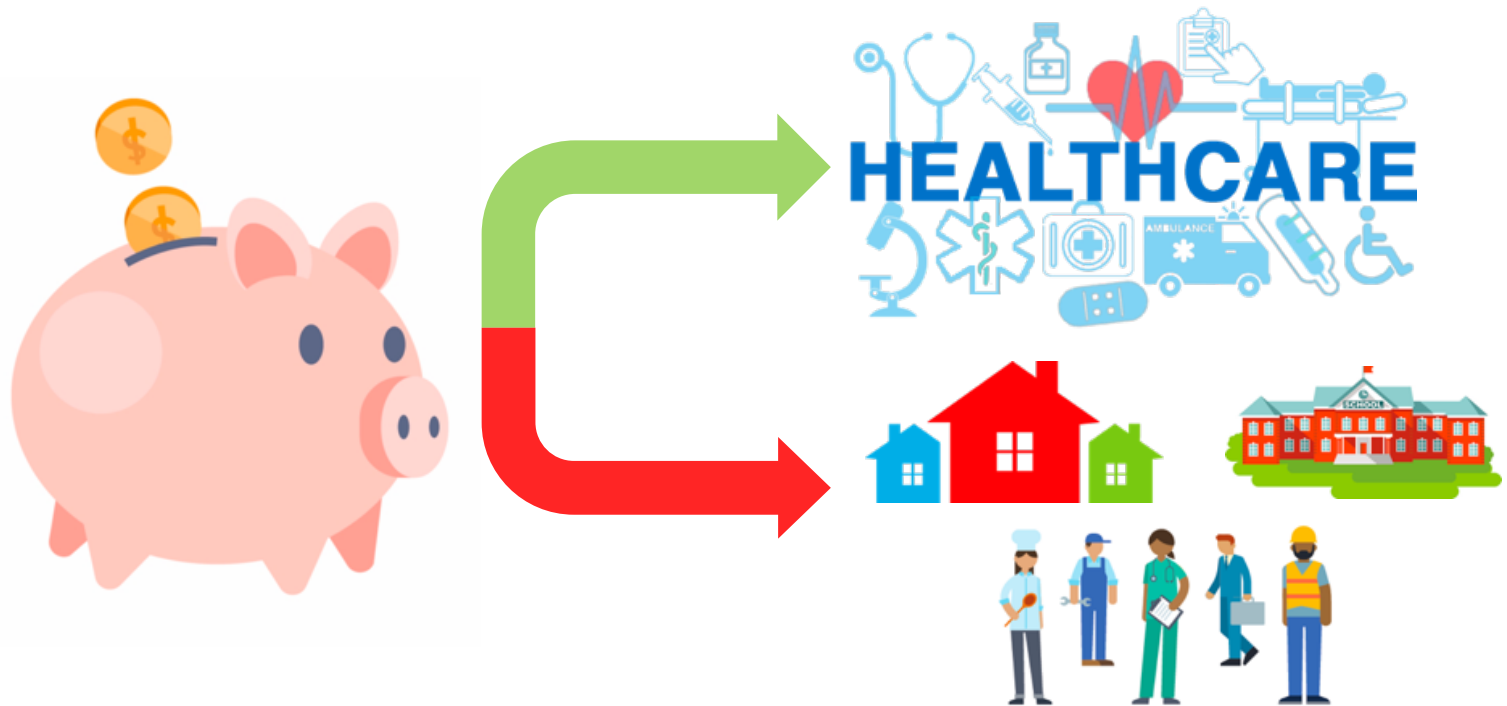
Understanding the importance of Opportunity Costs in Healthcare Decision-making to Minimize Waste

Microeconomic impact on Healthcare vs. Public Health



Understanding the importance of Opportunity Costs in Healthcare Decision-making to Minimize Waste

Macroeconomic impact on Healthcare and other Social Services



Understanding the importance of Opportunity Costs in Healthcare Decision-making to Minimize Waste

Rising Costs of Healthcare deplete financial resources to serve patients effectively

- Programs that face **budget constraints** on spending between technologies and services (e.g. Medicaid)
 - Costs of technologies are increasing dramatically
 - Budget constraints limit delivery of medically necessary services for other patients
- Commercial payers can overcome budget constraints by **increasing premiums and co-pays**
 - Higher co-pays make patients may be more selective about when they access healthcare
 - Higher premiums force patients out of health plans who have limited affordability

Understanding the importance of Opportunity Costs in Healthcare Decision-making to Minimize Waste

Willingness-to-Pay Thresholds

UK: £20,000/QALY to £30,000/QALY

US: \$100,000/QALY to \$150,000/QALY

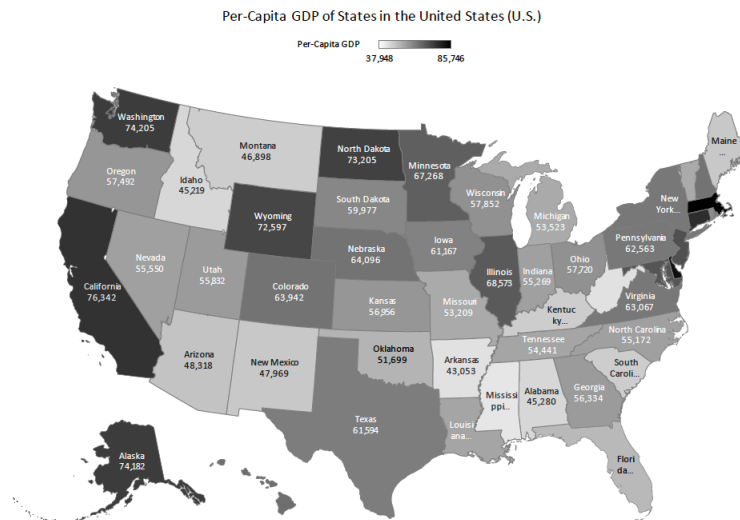
Represents the upper limit on value-for-money that society can spend on certain healthcare markets before to avoid situations that require choosing between next best alternatives with financial resources

- Drug A vs. Drug B
- Adults with Hepatitis C vs. Children with Cancer
- Health Services vs. Public Health
- Healthcare vs. Education

Understanding the importance of Opportunity Costs in Healthcare Decision-making to Minimize Waste

Willingness-to-Pay Thresholds

While the UK and US have very similar per-capita GDP, the UK noticeably never over-extends its wealth on healthcare spending in order to minimize opportunities cost generation



Per-capita GDP of Countries in the United Kingdom (U.K.)





William Padula @DrWmPadula · May 13

US [#HTA](#) Willingness-to-pay for has ranged from \$50k/QALY-\$150k/QALY, representing opportunity cost of next best alternatives. [#COVID19](#) is \$trillion in economic impact & opportunity cost clear: Invest in solution or many may die. What is WTP for [#coronavirus](#) treatment or vaccine?

\$50,000/QALY	32.4%
\$100,000/QALY	18.9%
\$150,000/QALY	18.9%
\$180,000/QALY	29.7%

74 votes · 2 days left



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