

Addressing barriers to value assessment for health services and procedures

The Inflation Reduction Act (IRA) requires CMS to determine a “lowest maximum fair price” for certain drugs, and to consider data on costs and health benefits in its decision-making. The law raises questions about whether similar opportunities exist to achieve savings elsewhere in the health care system. [Prior work suggests](#) such opportunities, but the efforts have also identified evidence gaps for non-drug interventions as a key barrier. This paper examines goals of the Broader Value Initiative to help the field generate more and better evidence on the value of health services and procedures.

Gaps and barriers in value assessment of services and procedures

Health services and procedures comprise the largest share of health spending, but account for a relatively small share of formal value assessments. Among components of health care costs, hospital services comprise the fastest growing and largest share ([31% of overall health spending](#)). National spending on hospital services reached [\\$1.3 trillion in 2020](#) and is expected to grow to over [\\$2 trillion by 2028](#). Roughly [44% of health spending in the private market](#) goes to hospital services. However, [research has shown that](#) only 12% of published cost-effectiveness analyses (CEAs) have focused on care delivery interventions, and 26% on medical and surgical procedures, compared to 43% for pharmaceuticals (which account for roughly 15% of health spending). [A 2019 paper](#) reported that the percent of CEAs focusing on pharmaceuticals at the end of 2017 exceeded the percent of national healthcare expenditure (NHE) devoted to drugs by a factor of 3.2 to 1.

To address the continued growth of health care costs, the field needs more focus on the value of health services and procedures. Some progress has been made. For example, the Affordable Care Act established the Patient-Centered Outcomes Research Institute (PCORI) with a mandate to conduct research and evidence synthesis across the health system, including “health care interventions, protocols for treatment, care management, and delivery, procedures, medical devices, diagnostic tools, pharmaceuticals (including drugs and biologicals), integrative health practices, and any other strategies or items being used in the treatment, management, and diagnosis of, or prevention of illness or injury in, individuals.”

Some health technology assessment organizations such as Blue Cross Blue Shield Association’s (BCBSA) Evidence Street (formerly Technology Evaluation Center (TEC)) have used a broad scope in evaluating health interventions – for example, 216 of their 404 reports published between January and November 2021 focused on procedures. However, as a subscription-only database, the uptake and impact of their work is unclear and likely limited. Some private organizations such as [Arnold Ventures](#), the [Commonwealth Fund](#), and the [West Health Foundation](#) also have taken steps to focus more on system-wide costs.

Still, substantial gaps in evidence persist for non-drug services, and much of the media and public policy debate remains focused on medicines. For example, the [Institute for Clinical and Economic Review](#) (ICER), a nonprofit organization that conducts clinical and economic analyses of health interventions, has primarily evaluated drug therapies. Between 2015 and 2022, 62 of ICER’s 70 evaluations (89%) have pertained to prescription drugs (2 of the 62 evaluations included both drug and nondrug therapies). In 2019, [ICER announced](#) that it would bolster its efforts to review nondrug interventions. However, between 2020 and 2022, only 2 of ICER’s 29 completed or ongoing evaluations have done so.

One reason for the dearth of value assessment for health services and procedures is a [lack of suitable data](#). Value assessment requires reliable data on an intervention’s effectiveness and cost. Unlike the case for drugs, the Food and Drug Administration does not regulate services and procedures, and thus reliable data on those interventions’ efficacy (e.g., from randomized controlled clinical trials) are often unavailable.

Robust and generalizable cost data for services and procedures are also often harder to obtain, reflecting a [lack of transparency](#) in the health care system. Although transparency legislation has sought to address these concerns, [hospital compliance is limited](#). [Cost data on services and procedures](#), even when available, are often obtained from disparate administrative claims databases or cost accounting systems, which may differ in structure and content. Research shows that information on [health services may not be well captured in administrative data](#), limiting researchers’ ability to conduct economic evaluations. Moreover, there is often substantial [price variation](#) for services and procedures. A 2020 report found that prices paid to hospitals by commercial payers across the country averaged [250% of the amount Medicare](#) pays, and were as high as 325% in some states. A recent [BlueCross BlueShield report](#) found that prices for knee replacement surgeries in Dallas ranged from \$16,772 to \$61,585.

Another barrier is a [lack of incentives](#) for researchers to conduct value assessments on health services and procedures. While prescription drugs are protected by intellectual property (IP) rights, they frequently have competitors during the time of IP protection, providing strong incentives for manufacturers to demonstrate the product’s value. In contrast, services and procedures are generally not IP protected, and often do not face the same competitive dynamics. Although physicians and others may have their own incentives to demonstrate [the value of certain services and procedures](#), they tend to be more limited.

The Broader Value Initiative

To further value assessments for health services and procedures, the [Research Consortium for Health Care Value Assessment](#) formed the [Broader Value Initiative](#) in 2022. The initiative addresses gaps in evidence on the value of services and procedures to advance better value across the health system.

The Broader Value Initiative is led by a [steering committee](#) co-chaired by [Peter Neumann](#) and [Dan Ollendorf](#) from the Center for the Evaluation of Value and Risk in Health at Tufts Medical Center. Steering committee members include [Darius Lakdawalla](#) (University Southern California), [Chris Whaley](#) (RAND), [Elisabeth Oehrlein](#) (Applied Patient Experience, LLC), and [Naomi Aronson](#) (Blue Cross Blue Shield Association). Steering committee members were selected based on their expertise in health policy and health economics.

The initiative will offer guidance and best practices for conducting evaluations of services and procedures, building on efforts of PCORI, BCBSA, and other organizations, such as the Washington State Health Authority.

Key questions and considerations will include:

- What [policy changes](#) such as public- and private-funded research or educational efforts will achieve greater balance?
- What can be learned from a [growing body of evidence](#) on “low-value” services and procedures?
- How can real world evidence be used to measure health effects and costs?
- What sources of cost data can be used and what measures? What other data and methodological barriers exist?
- What types of modeling approaches and issues that should be explored, such as formal cost-effectiveness analyses and other approaches?
- What opportunities will come from the rapid growth in real-world data to capture information on costs and health outcomes for health services and procedures?
- What lessons might be learned from CMS’s upcoming efforts to negotiate drug prices as well as prior demonstration projects focused on other areas of the health system?

To inform our efforts to prioritize a list of services and procedures for evaluation, we will build off forthcoming Tufts Medical Center team’s research on the relationship between the proportion of CEAs targeting services and procedures and the proportion of healthcare spending they represent.

The Broader Value Initiative will convene an Expert Panel on Health Care Value. This multi-stakeholder working group will assemble experts from a range of disciplines and perspectives including patients, providers, payers, academics, and the pharmaceutical industry to recommend concrete steps to improve our understanding of the value of health care interventions across the system. An important component will involve developing and advancing a national agenda on the topic.

In addition to developing and implementing the research agenda, the Broader Value Initiative will work to raise awareness and build consensus on this topic. One of the key contributions will be to suggest when and why different types of approaches may be more applicable to services. For example, can cost minimization approaches be used for common procedures, such as knee replacement surgery, and generally in situations in which there is a specific outcome?

As a next step, the Initiative’s Expert Panel will propose criteria for prioritizing services and procedures for assessment and list approximately 25 services and procedures recommended for initial value assessment research. The panel will also recommend best practices for conducting value assessment of health services and procedures by addressing misunderstandings or barriers in the use of data sources, methods, and measures. These and other products of the panel’s efforts will be shared in future summary reports, conference presentations, webinars, and white papers.

Conclusion

The availability of new data and methods to support value assessment allows for better understanding the across the entire spectrum of health care. The Broader Value Initiative seeks to advance value assessment by developing guidance on generating more and better evidence on services and procedures. Our hope is that, the Initiative's work will provide useful new tools and resources for decision-makers and policy-makers across the health care system to improve health care value and affordability for patients, consumers and society.