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Moderator

Third Plenary Session

FAIRNESS FIRST?
SOCIAL VERSUS INDIVIDUAL PREFERENCES



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ISPOR 15th Annual European Congress
Third Plenary Session

Berlin / Germany
Wednesday, November 07, 2012
ICC, Hall 2, 11:15h – 12:30h

FAIRNESS FIRST?
SOCIAL VERSUS INDIVIDUAL PREFERENCES



FAIRNESS FIRST? SOCIAL VERSUS INDIVIDUAL PREFERENCES



- Beyond narrow self-interest
- Concerned with the well-being of others

- Reciprocal fairness
- Inequality aversion
- Altruism

- Spiteful or envious preferences

Michael Schlander
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SOCIAL PREFERENCES IN HEALTH CARE: A VERY MIXED PICTURE



- Social Preferences about What?
- How to Measure Social Preferences?
- Whom and How to Ask?
- What about Severity?
- What about Capacity to Benefit?
- What about High Cost Patients?

Erik Nord, PhD
 Norwegian Institute of Public Health
 Professor, University of Oslo
 Oslo, Norway



INCORPORATING SOCIAL PERSPECTIVES INTO ECONOMIC EVALUATION



- Social decisions focused on the individual
Measurement of Utility
Individual Utility versus Social Value
- Social decisions focused on the group
Combining Cost Utility and Distribution
- Discussion / Policy Implications

Jeff Richardson, PhD
Centre for Health Economics,
Monash University
Melbourne, Australia



SOCIAL PREFERENCES WITHIN THE SwissHTA PROCESS



- A Multi-Stakeholder Project: SwissHTA
- Evaluation Criteria:
A Prior Normative Commitment
Social Preferences of the Swiss Population
Effectiveness, "Suitability", Economic Viability
- Setting Limits and Research Needs

Christian Affolter
PhD, MBA
santésuisse
Solothurn, Switzerland



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HEALTH ECONOMICS HAS SO MUCH TO OFFER!

- The Concept of **Opportunity Costs** and Cost Measurement
- **Marginal Analysis** / Thinking at the Margin
- **Elasticity of Demand**
however, less certain about *Supply Curves* for industrial goods
- Asymmetric Information and **Principal Agent Relations**
- Effects of Co-Payments:
The **RAND Health Insurance Experiment** (Newhouse, 1993)

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Do Health Politicians Really Listen to Health Economists? Observations from Europe

ISPOR CONNECTIONS 2009; 15 (6): 15-16.


Breaking News, Berlin, November 05, 2012:

- German government decides to abandon "*Praxisgebühr*" (patient co-payment schedule for visits to doctor's office)
- Other co-payments (per hospital day, for prescription drugs, etc.) remain in force, social co-pay cap policy remains unchanged, too.
- Anything learnt from the RAND Health Insurance Experiment?

Is There an International Backlash Against Cost-Utility Analysis?

ISPOR CONNECTIONS 2010; 16 (6): 3

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CONVENTIONAL HEALTH ECONOMIC EVALUATION MAY BE MORE CONTENTIOUS THAN ASSUMED

- **Technical Efficiency:**
Generally Little if Any Problems with Measures of Benefit
- **Productive Efficiency:**
Generally Little Problems with Measures of Benefit
(but note mean-based analysis contradicting well-established medical decision-making principles)
- **Allocative Efficiency:**
Quasi-Utilitarian Aggregation Rules
Contentious Interpersonal Comparisons

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CONVENTIONAL HEALTH ECONOMIC EVALUATION: MEASURES OF VALUE AND EFFICIENCY

- **(Maximum) Individual Willingness-to-Pay:**
Paretian Cost Benefit Analysis $B = f(W; H)$ $B_i > C_i$
- **Health-Adjusted Life Years:**
Incremental Cost Utility Analysis $U = f(W) + f(H)$ $\frac{\Delta C_i}{\Delta HALY_i} < \lambda$
- Both Are Said to Be “**Distribution Neutral**”
*Closer inspection reveals a very specific distribution logic, strictly following the assumed objective function (maximand).
Both rest on the assumption that (a) either distribution is irrelevant (due to ‘portfolio effect’) and / or (b) that ‘losers’ can be compensated.*

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INCREASING SOCIAL DESIRABILITY ("VALUE") WITH DECREASING COST / HALY?

Interventions:	ICERs:
Sildenafil for erectile dysfunction	< ~ 3,600 £ / QALY
Methylphenidate for ADHD in children	< ~ 7,000 £ / QALY
Riluzole for motor neuron disease	~ 38,500 £ / QALY (34,000–43,500 £/QALY)
Beta interferon for multiple sclerosis	~ 120,000 £ / QALY (69,000–580,000 £/QALY)
Laronidase for mucopolysaccharidosis	> 330,000 £ / QALY
Palliative care	?



IN SEARCH OF REFLECTIVE EQUILIBRIUM

- **Sildenafil for Erectile Dysfunction**
- **Hypothetical Acute Pain Service**
- **Guidance Based on EQ-5D**
- **Early Rankings in Oregon Health Plan (OHP)**
- **Role of Distributive Concerns,**
Cost Effectiveness Benchmarks and Orphan Treatments
- **Role of Budgetary Impact**
(Appropriate Perspective for Opportunity Cost Assessment?)




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EFFICIENCY FIRST OR DISTRIBUTION (“FAIRNESS”) FIRST?

- **Efficiency**
Will Always Be an Instrumental (Secondary) Objective:
- **What are the Primary Objectives (Effectiveness Criteria) of a Collectively Financed Health Scheme?**

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SOME CONCERNS

- **“If the questions are distributional, then so are the solutions.”**
(Hausman and McPherson, 2006)
- **“Utilitarianism has next to nothing to offer in eradicating health inequalities.”**
(Rawlins and Dillon, 2005)
- **“Economic Evaluation of Medical Interventions: Answering Questions People Are Unwilling to Ask?”**
(Schlander, 2005)

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SOME QUESTIONS

- Is **social value** simply the sum of **individual utility**?
- What is the **appropriate budget constraint**?
- What **priority** should be given to the **worst off**?
- When should **small benefits to a large number of people** outweigh **large benefits to a small number of people**?
- How can the conflict between **fair individual chances** and **best aggregated outcome** be resolved?
- How should **coexisting conditions** be taken into account in **cost effectiveness analysis**?
- What about **effects of a short duration only**?

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