JANUARY 2012

RESEARCH BRIEF

USC Schaeffer
Leonard D. Schaeffer Center
for Health Policy & Economics

Conducting rigorous research, developing health policy leaders, and broadly communicating solutions to promote health, well-being, and value in health care delivery

INNOVATION IN COST CUTTING MEASURES

ISSUES IN CANCER CARE: VALUE, COSTS, AND QUALITY

Schaeffer Center scholars authored a cluster of articles published in a special issue of *Health Affairs* entitled "Issues in Cancer Care: Value, Costs and Quality", which provided a closer look at how much healthy people and cancer patients value treatment and hope. Taken together, the articles probed additional considerations for policymakers, patients, providers and others as to when a high-cost treatment is 'worth' the price.

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THE VALUE OF HOPE

One analysis led by Darius Lakdawalla, director of research at the Schaeffer Center at USC and associate professor in the USC Price School of Public Policy, surveyed 150 cancer patients currently undergoing treatment. Lakdawalla and his co-authors found the overwhelming majority of cancer patients prefer riskier treatments that offer the possibility of longer survival over safer treatments: 77 percent of cancer patients said they would rather take a "hopeful gamble" — treatments that offer a 50/50 chance of either adding three years or no additional survival — to "safe bet" treatments that would keep them alive for 18 months, but no longer.

"Consumers tend to dislike risk, and researchers and policy makers have generally assumed that patients care about the average gain in survival," Lakdawalla said. "But patients facing a fatal disease with relatively short remaining life expectancy may have less to lose and be more willing to swing for the fences. This analysis points to the larger ideal — that value should be defined from the viewpoint of the patient."

U.S. CANCER PATIENTS OUTLIVE THEIR EUROPEAN COUNTERPARTS

Tomas Philipson, Senior Fellow at the Schaeffer Center at USC and Daniel Levin Chair in Public Policy at the University of Chicago, and his co-authors, looked at the higher cost system of cancer treatment in the United States and compared it to care in ten European countries from 1983-1999.

The United States spends more on cancer care than European countries, but the analysis suggests that this investment also generates a greater 'value' for US patients who typically live nearly two years longer than their European counterparts.

For most cancer types, U.S. cancer patients lived longer than their European counterparts, according to the results in the Health Affairs paper. Cancer patients diagnosed from 1995 to 1999 lived 11.1 years after diagnosis in the United States, on average, compared to 9.3 years after diagnosis in Europe.

This analysis suggests that the higher-cost U.S. system of cancer care delivery may be worth it, say the authors, although further research is required to determine what specific tools or treatments are driving improved cancer survival in the United States.

WILLINGNESS TO PAY FOR COVERAGE OF HIGH-COST DRUGS

Healthy people are willing to pay more for generous coverage of high-cost drugs that treat cancer and other serious diseases, according to research led John A. Romley, an economist with the Schaeffer Center at USC and research assistant professor at the USC Price School of Public Policy.

On average, healthy people were willing to pay an extra $12.94 per month for better coverage of high-cost drugs. The cost of covering specialty drugs is about $5 per month—meaning respondents were willing to pay $2.58 in health care premiums for every dollar in out-of-pocket costs on a less generous insurance plan.

"If sick patients faced with the full cost of care decline to undergo treatment, one might conclude that these treatments are not "worth it"," Romley said. "But our study shows that healthy individuals apparently dislike the financial risk associated with future treatment enough to finance the average cost of coverage across all beneficiaries – indeed, they're willing to pay more than the actual cost for coverage, suggesting that the value they place on it exceeds what it costs to provide."