Congress Agrees on the Need For Comparativeness Research
But Funding Will Be a Problem

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The fact that access to health insurance—and therefore health costs—will be a huge concern in 2009 all but guarantees Congress will finally pass legislation, after some years of trying, that would create some sort of national “comparative-effectiveness body.” This group would evaluate drugs and medical devices within narrow categories to determine which ones would be cost effective. Even though the Agency for Healthcare Research and Quality (AHRQ) has a “lite” comparativeness plan called the Effective Health Care Program, it is funded at only about $30 million a year. In addition to its meager budget, this program is also limited by the fact that it does not consider cost effectiveness; its evaluations are restricted to efficacy.

The sticking point, however, will be funding. The Baucus bill would use general revenues from the Treasury for the first three years of the Institute’s existence. In the fourth year, funding would move to an all-payer system—from both public and private sources. Annual contributions would be made from Medicare trust funds, from revenues generated by a fee on private health insurance policies, and from general revenues. The private insurance fee would be $1 per insured person per year. Funding from Medicare would also be $1 per beneficiary per year. All sources of funding for the Institute would cease after 10 years because of a sunset provision. Total funding for the first year would be $5 million, and funding would increase to $300 million a year by the year 2013.

Actually, the House passed a similar proposal in the Children’s Health and Medicare Protection (CHAMP) Act bill in 2007. The bill’s main purpose was to extend Medicaid benefits to low-income children; however, an amendment to the bill created a Center for Comparativeness Research within the AHRQ. The Senate never took up the CHAMP Act, whose comparative research institute would have been funded at a level of $375 million with almost $100 million coming out of the Medicare trust fund for three years, and a little less after that. In the fourth year, a tax on health insurance would be imposed to supplement the Medicare funds, bring the Center’s budget to $375 million a year.

The Medicare Payment Advisory Commission (MedPAC), an independent agency that advises Congress on issues affecting Medicare, has been beating the drum for a comparativeness center or institute that would be independent of the federal government. The Baucus-Conrad Institute would be a private, nonprofit corporation, shielded from political influence and funded by both public and private sources.

The Baucus funding plan is more incremental than that of the CHAMP Act. It proposes $5 million in the first year from general revenues, which would also be the sole source in years two ($25 million) and three ($75 million); a funding scheme resembling that of the CHAMP Act in the fourth year; and a total budget reaching $300 million by the fifth year. Whether Medicare can afford $100 million each year as it edges toward bankruptcy is as big a question as whether the insurance industry would agree to fund the Institute or whether consumers would sit still for higher premiums as a result.

Barry Straube, Chief Medical Officer for the Centers for Medicare & Medicaid Services, has said that Medicare needs to address comparative effectiveness and cost effectiveness to achieve greater value for the program. It appears certain that someone is going to have to pay for what probably will turn out to be a good long-term investment for everyone.