

RAND Health



Robert H. Brook,
RAND vice president
and director
of RAND Health

This was another banner year for RAND Health in terms of revenue growth (10 percent), publications (more than 300), and media attention (16 press releases). However, our activities this year also highlight the degree to which our work is reaching, and being used by, policymakers. We profile those activities below.

REACHING CONGRESS

This year, in collaboration with RAND's Office of External Affairs, we launched a congressional newsletter, which is sent electronically to a targeted list of more than 600 Hill staff. Five newsletters were published this year. The newsletters synthesize work of special salience for the congressional agenda. Below are examples of how we integrated findings from multiple studies to shed light on key topics.

Health Care Coverage for the Uninsured. The states that most need to expand public insurance coverage have the smallest capacity to do so. And it will take very large subsidies to get the uninsured to buy private coverage. Employer-sponsored insurance is the most common source of coverage for those under 65. But because employers are more likely to offer health care insurance when they are competing with other firms for employees, rising unemployment rates are likely to reduce access to employer-sponsored coverage.

Prescription Drug Benefit for Medicare. A catastrophic prescription drug plan would protect beneficiaries from very high drug expenditures and could allow policymakers to gauge future program costs before committing to more comprehensive coverage. Those who would benefit most from prescription drug coverage are elderly persons with chronic conditions, those with low incomes, those living in rural areas, and elderly women.

Some states have introduced bills mandating lower prescription drug prices for Medicare beneficiaries. However, RAND's evaluation of such a program in California found that many elderly, especially those with low incomes, were unaware of the law, and some pharmacies didn't offer the discount even when asked. These findings suggest that making beneficiaries aware of drug discount laws and monitoring pharmacy compliance will be essential to making drug discount programs successful.

MAJOR CLIENTS OF RAND HEALTH

U.S. Government

Department of Defense (through NDRI)
 Department of Health and Human Services
 Agency for Healthcare Research and Quality
 Assistant Secretary for Planning and Evaluation
 Center for Medicare and Medicaid Service
 (formerly HCFA)
 Health Resources and Services Administration
 Centers for Disease Control and Prevention
 National Institutes of Health
 National Cancer Institute
 National Heart, Lung, and Blood Institute
 National Institute on Aging
 National Institute on Alcohol Abuse and Alcoholism
 National Institute of Child Health and
 Human Development
 National Institute for Dental and Craniofacial
 Research
 National Institute on Drug Abuse
 National Institute of Mental Health
 National Institute of Nursing Research
 Substance Abuse and Mental Health
 Services Administration
 Department of Labor
 Department of Veterans Affairs
 National Science Foundation

Foundations

Archstone Foundation
 Arthritis Foundation
 Best Foundation
 California HealthCare Foundation
 The Fan Fox & Leslie R. Samuels Foundation Inc.
 Hartford Foundation
 Heinz Foundation
 The Robert Wood Johnson Foundation
 The Joseph H. Kanter Foundation
 John D. and Catherine T. MacArthur Foundation

Other

AARP

American Dental Association

American Society of Clinical Oncology

Camillus House

George Washington University

Los Angeles Unified School District

National Forum for Health Care Quality Measurement and Reporting

New York City Palliative Care Quality Improvement

The Nuffield Trust

People's Republic of China, Ministry of Health

Research Triangle Institute

Rutgers University

Shelter Partnerships, Inc.

Stanford University

United Healthcare

University of California, Berkeley

University of California, Los Angeles

University of California, San Francisco

University of Minnesota

University of Southern California

Virginia Health Quality Center

Private Sector

Blue Cross and Blue Shield

Bristol-Myers Squibb Corporation

Cerner Corporation

Colorado Health Networks

Ford, General Motors, and Daimler Chrysler

Glaxo Wellcome

Health Industry Manufacturers Association

Hoffman-LaRoche, Inc.

Eli Lilly and Company

Merck & Co., Inc.

National Chiropractic Mutual Insurance Company

Pacific Business Group on Health

Pacificare Health Systems, Inc.

Pfizer, Inc.

Row Sciences

Scientia, Inc.

ValueOptions

Wellpoint

Westat



Robert Brook, UCLA's chancellor Albert Carnesale, and Jim Thomson attended a ceremony celebrating the renewal of a formal relationship between UCLA and RAND in the health services area. The two institutions have been collaborating on health policy research, clinical studies, and training for nearly 30 years.

Designing Prescription Drug Benefit Packages. To control costs, many employers and insurers are increasing co-payments on prescription drugs. In the largest study ever conducted involving non-elderly patients enrolled in employer-sponsored health plans, researchers found that higher co-payments do cut costs because consumers use less medication and less-expensive drugs. But employers, not employees, get the resulting savings.

Raising co-payments by just \$10 or \$20 changed patients' behavior. Such findings suggest that policymakers should be very careful when they change plans for low-income consumers because those consumers may react to even smaller changes in co-payments.

Improving Health Care Quality for Women. In September, the House passed a bill to establish an Office of Women's Health within the Department of Health and Human Services. Key to improving health care for women is the ability to measure, monitor, and report on health care performance. RAND Health has developed a comprehensive, clinically based system for assessing quality of care, including new standards for women's health. Implementing these standards nationwide would significantly improve the quality of care delivered to American women.

Providing health care for some groups of women is especially challenging. For example, Mexican-American women are much more likely to be underscreened for breast cancer because they are hard to reach—more likely to be impoverished, poorly educated, and non-English speaking. But a targeted community-based program can increase screening rates among these women. Such programs may help provide access to other hard-to-reach women, such as the homeless and substance abusers.

RAND Health



Kenneth Shine, director of the Center for Domestic and International Health Security, with psychiatrist Wagdi Attia, discussed health issues in the Middle East on a live Voice of America broadcast to the region, with questions from Cairo, Egypt.

Sociologist Ricky Bluthenthal describes current work investigating the effects of syringe exchange programs on syringe sharing among high-risk injection drug users.



PROVIDING TECHNICAL SUPPORT TO GOVERNMENT CLIENTS

RAND Health has a long history of providing technical support to government decisionmakers, especially in areas where our reputation for independence and excellence is critical to successful resolution of policy issues. Prominent examples this year include designing a prospective payment system for inpatient rehabilitation and providing scientific evidence to support regulatory decisions about ephedra.

A Prospective Payment System for Inpatient Rehabilitation for Medicare Beneficiaries. Medicare pays for the rehabilitation services that beneficiaries receive in the hospital. Medicare payments are important to rehabilitation facilities, accounting for 70 percent of their revenue. However, the cost-based system for determining reimbursement was widely seen as unfair to facilities, in part because the system did not adjust for the severity of patients' illness. The Centers for Medicare and Medicaid Services asked RAND to design a new system that paid for patients prospectively based on clearly specified criteria. Medicare already uses this kind of system to pay for beneficiaries' acute care in hospitals, and RAND played a major role in evaluating and refining that system.

The RAND team identified the major drivers of cost and designed a reimbursement formula that compensates facilities fairly and provides incentives for efficiency. The system, which was

MAJOR DONORS TO RAND HEALTH

Anonymous
Neal Baer
Alan R. Batkin
Yvonne Brathwaite Burke
Ronald I. Dozoretz
Mary Kay and Jim Farley
Frederick W. Gluck
Kaiser Permanente
Eve M. Kurtin
Los Angeles Times
Charles N. Martin, Jr.
Pacific Venture Group
John Edward Porter
Donald H. Rumsfeld
John J. Rydzewski
Joseph P. Sullivan
Lois and Gail L. Warden

RAND HEALTH BOARD OF ADVISORS

Joseph P. Sullivan (Chair)
Chairman and CEO, Protocare, Inc.

Neal A. Baer, M.D.
Executive Producer, *Law & Order: Special Victims Unit*

Robert H. Brook, M.D., Sc.D., F.A.C.P.
Vice President, Corporate Fellow, RAND;
Director, RAND Health

Yvonne B. Burke
Supervisor, Second District, County of Los Angeles

Ronald I. Dozoretz, M.D.
Chairman and CEO, ValueOptions

Mary Kay Farley
Trustee, Hospital for Special Surgery, New York

Frederick W. Gluck
Former Managing Director,
McKinsey & Company, Inc.

Pedro Jose Greer, Jr., M.D.
Assistant Dean, University of Miami
School of Medicine; RAND Trustee

Suzanne Nora Johnson
Codirector, Global Investment Research,
Goldman Sachs & Co.

Joseph H. Kanter
Chairman, Kanter Corporation

Karen L. Katen
President, Pfizer Pharmaceuticals Group (PPG);
Executive Vice President, Pfizer Inc.

Paul Koegel, Ph.D.
Associate Director, RAND Health

Eve M. Kurtin
Partner, Pacific Venture Group; Cofounder, Physician
Venture Management, Inc.

David M. Lawrence, M.D.
Chairman Emeritus, Kaiser Foundation Health Plan, Inc.
and Kaiser Foundation Hospitals

Steve Lazarus

Managing Partner, ARCH Venture Partners

Sheila T. Leatherman

Adjunct Professor, University of North Carolina,
School of Public Health

Judy C. Lewent

Senior Vice President and CFO, Merck & Co., Inc.

Charles N. Martin, Jr.

Chairman, President and CEO,
Vanguard Health Systems

Elizabeth A. McGlynn, Ph.D.

Associate Director, RAND Health

Neal L. Patterson

Chairman and CEO, Cerner Corporation

John Edward Porter

Partner, Hogan & Hartson

Carol A. Richards, Ph.D.

Director, Carol Richards Associates

David K. Richards

Private investor

John J. Rydzewski

Partner, Benedetto, Gartland & Company, Inc.

David G. Satcher, M.D., Ph.D.

Director, National Center for Primary Care,
Morehouse School of Medicine

Kenneth I. Shine, M.D.

Senior Fellow, RAND; Director, RAND Center
for Domestic and International Health Security

Sir Maurice Shock

Chairman, The Nuffield Trust

James A. Thomson, Ph.D.

President and CEO, RAND

Gail L. Warden

President and CEO, Henry Ford Health System



Elizabeth McGlynn
and Paul Koegel,
associate directors
of RAND Health

implemented January 1, 2002, has wide support from all stakeholders. Indeed, the rehabilitation industry successfully petitioned Medicare to fund additional RAND analyses to monitor and refine the system.

Assessing the Safety and Efficacy of Ephedra. Dietary supplements containing the herb ephedra or its purified alkaloid, ephedrine, are among the most popular over-the-counter diet and performance aids currently available, but its efficacy for these purposes has been questioned. After reviewing hundreds of adverse-event reports linking ephedra with a variety of cardiovascular problems and even death, the Federal Drug Administration (FDA) proposed a series of restrictions for the content and marketing of ephedra-containing products. Public Citizen asked the Secretary of Health and Human Services, Tommy Thompson, to ban ephedra as a threat to public health.

But additional evidence was called for. In June, Secretary Thompson asked RAND to conduct a comprehensive review of the existing science about the safety and efficacy of ephedra-containing products for enhancing weight loss and physical performance. The FDA is looking to the RAND review to guide regulation. According to the acting commissioner of the FDA, "The results of the RAND review will help FDA's scientists to develop future regulatory actions on dietary supplements containing ephedrine alkaloids."

SUPPORTING DECISIONMAKING ON TERRORISM

The RAND Center for Domestic and International Health Security, officially launched in July, has played a prominent role in RAND's overall terrorism-related efforts. Center staff have presented their work in a variety of public contexts, including a special meeting at the Carter Center, focused on the mental health of children in the post-9/11 era, and one at Biosecurity 2002, the first international meeting focused on the threat of bioterrorism. Staff have also provided information directly to decisionmakers on issues ranging from small-pox vaccination policy to biological surveillance.

A series of articles authored by center staff appeared in the summer issue of the *RAND Review*. The range of topics covered illustrates both the scope of the terrorism-related issues we are addressing,

RAND Health

and the wide range of expertise and training that center staff bring to this challenge.

In the *Review* articles, center staff argue the case for making world health the new Marshall Plan, describe what needs to be done to improve surveillance for natural and man-made biological agents, describe the fundamental biomedical research needed, identify how communications of biological events to the public need to be improved, and suggest ways to minimize the psychological consequences of terrorism and to maximize the national resilience to it.

A chapter by center researchers Robert Hunter and Ross Anthony in *Emergency Preparedness: Bioterrorism and Beyond* provides insight about the redefinition of security in American foreign policy and highlights the central role that the health professions will now play. The authors also argue that if we are to succeed in our fight against terrorism, we have to develop strategies that enable us to change the situation that breeds it.

LOOKING AHEAD

Health issues will again be prominent on the congressional agenda in the coming year. Our work will be relevant to many of them, including health care coverage for the uninsured, prescription drug coverage for Medicare, children's mental health, patients' Bill of Rights, patient safety, and quality of care. As we did this past year, we will draw on substantial bodies of work in these and other areas to help frame the issues, identify policy options, and assess trade-offs.

SELECTED PUBLICATIONS

Analyses for the Initial Implementation of the Inpatient Rehabilitation Facility Prospective Payment System, Grace M. Carter, Melinda Beeuwkes Buntin, Orla Hayden, Jennifer Kawata, Susan M. Paddock, Daniel A. Relles, Gregory K. Ridgeway, Mark E. Totten, Barbara D. Wynn, RAND MR-1500-CMS.

Are Local Health Responders Ready for Biological and Chemical Terrorism? Lois M. Davis, Janice C. Blanchard, RAND IP-221-OSD.

"Compliance Among Pharmacies in California with a Prescription-Drug Discount Program for Medicare Beneficiaries," *New England Journal of Medicine*, Vol. 346, No. 11, March 14, 2002, pp. 830-835, J. H. Lewis, M. Schonlau, J. A. Muñoz, S. M. Asch, M. R. Rosen, H. Yang, J. J. Escarce.

The Costs of a Medicare Prescription Drug Benefit: A Comparison of Alternatives, D. P. Goldman, G. F. Joyce, J. D. Malkin, RAND MR-1529.0-NIA.

"The Effects of Primary Care Depression Treatment on Patients' Clinical Status and Employment," *Health Services Research*, Vol. 37, No. 5, pp. 1145-1158, M. Schoenbaum, J. Unützer, D. McCaffrey, N. Duan, C. Sherbourne, K. B. Wells.

"Employer Drug Benefit Plans and Spending on Prescription Drugs," *Journal of the American Medical Association*, Vol. 288, No. 14, October 9, 2002, pp. 1733-1739, G. F. Joyce, J. J. Escarce, M. D. Solomon, D. P. Goldman.

"Indicators of the Quality of Nursing Home Residential Care," *Journal of the American Geriatrics Society*, Vol. 50, No. 8, August 2002, pp. 1421-1430, D. Saliba, J. F. Schnelle.

"MarketWatch: Patients in Conflict with Managed Care: A Profile of Appeals in Two HMOs," *Health Affairs*, Vol. 21, No. 4, July/August 2002, pp. 189-196, C. R. Gresenz, D. M. Studdert, N. Campbell, D. R. Hensler.

"A Model for a Smallpox-Vaccination Policy," *New England Journal of Medicine*, Vol. 348, No. 5, January 30, 2003, pp. 1-10, S. A. Bozzette, R. Boer, V. Bhatnagar, J. L. Brower, E. B. Keeler, S. C. Morton, M. A. Stoto. (Published online at www.nejm.org on December 19, 2002.)

"Reforming Care for Persons Near the End of Life: The Promise of Quality Improvement," *Annals of Internal Medicine*, Vol. 137, No. 2, 2002, pp. E117-E122, J. Lynn, K. Nolan, A. Kabcenell, D. Weissman, C. Milne, D. M. Berwick, for the End-of-Life Care Consensus Panel.

"The Role of Public Insurance and the Public Delivery System in Improving Birth Outcomes for Low-Income Pregnant Women," *Medical Care*, Vol. 40, No. 11, November 2002, pp. 1048-1059, M. S. Marquis, S. H. Long.

"Tapping the Power of Health in Foreign Policy," Chapter 8 in *Emergency Preparedness: Bioterrorism and Beyond*, E. R. Rubin, M. Osterweis, L. M. Lindeman (eds.), Washington, DC: Association of Academic Health Centers, R. E. Hunter, C. R. Anthony.

"What the Federal Government Can Do About the Nonmedical Determinants of Health," *Health Affairs*, Vol. 21, No. 1, February/March 2002, pp. 94-106, N. Lurie.

"Women's Receptivity to Church-Based Mobile Mammography," *Journal of Health Care for the Poor and Underserved*, Vol. 13, No. 2, May 2002, pp. 199-213, K. P. Derose, N. Duan, S. A. Fox.