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2009 Year in Review

At the start of each new year, Jim Thomson, RAND's President and CEO, issues a memorandum to RAND staff reflecting on the previous year's accomplishments and rededicating the RAND community to taking on the biggest policy challenges in the year ahead. This is a reprint of Thomson's memo issued on January 13, 2010.

RAND is enjoying a long run of distinguished contributions and growth while strengthening its reputation as a global “go to” source for objective, fact-driven, high-quality advice on critical policy issues. These latter characteristics are all the more salient in the difficult economy and polarized political environment we saw around us in 2009, and that likely will persist for some time. Whether the subject is health care reform, improving public schools, strengthening governmental institutions, meeting new national and international security challenges, or preparing for pandemics—whatever tough issues RAND researchers take on—the resulting work stands tall.

This forms the backdrop for the 2009 assessment of how well we have done in satisfying RAND's mission of helping improve policy and decisionmaking through research and analysis. As some of you may remember, Michael Rich, RAND's Executive Vice President, and I use a three-tier test in evaluating RAND's performance in fulfilling its mission. Each part deals with an important aspect of RAND's mission and our desire to make a difference with what we do. I want to share with you some examples of the outcomes this year. And examples they are, since many other efforts are equally worthy of mention.

We ask first:

Are we addressing issues at or near the top of the national and international policy agenda? Are we helping to shape the agenda? In doing that, do our products and services meet the high standards of scientific quality and objectivity that are RAND's core values?

The breadth of the research slate at RAND is helpful but not itself conclusive in answering the first part of the test; the challenge is in ensuring that the research is directed in a timely fashion at first-rank issues and that it stimulates critical examination of both the issues and the means for dealing with them. Here are some examples of work that satisfies those criteria.

Promotion Policy in Public Schools. One of the many challenges faced in primary and secondary education today is how best to handle students whose academic performance may not support readiness for promotion to the next grade level. In October, RAND Education released its evaluation of the policy on promotion and retention used by the New York City Department of Education. The policy combines early identification of struggling students with extra learning opportunities and proficiency standards in mathematics and English language arts. The RAND study tracked student academic outcomes for four cohorts of 5th graders and found that few students were not promoted under the policy, that it led to better achievement for most struggling students, and that the positive effect persisted into the seventh grade, even for those who had been retained for a grade. Given its focus on the experience of the largest school system in the United States, the RAND report is receiving widespread attention.

Combating Illegal Drug Trafficking. RAND has a large body of past and current research directed at assessing the scope and implications of illegal drug use and trafficking and alternatives for combating them. This past year, a RAND Drug Policy Research Center (DPRC) report showed that the economic costs attributable to the use of methamphetamines in the United States was upward of \$23 billion in 2005, with concomitant effects on drug addiction, premature death, drug treatment, and crime. The analysis also captured a new category of cost: the fires, explosions, injuries, and hazardous waste associated with the production of methamphetamines. Results of the research were briefed on Capitol Hill in July and drew significant attention from national, state, and local government agencies. The National Association of Counties hosted a webinar to educate county health departments on the findings and produced an article on the study in its *County News* publication.

Collaborations between RAND Europe and the DPRC have produced new definitions, frameworks, and insights to help European policymakers understand and develop policies to reduce illicit drug supply and drug-related crime. An important finding is that there is little evidence that the overall global drug problem was reduced over the past decade—instead, the problem lessened in rich countries and worsened in a few large developing countries. Follow-up research, which was discussed with the Council of the European Union Working Party on Drugs, provides recommendations for understanding the effectiveness of strategies to reduce the supply of illicit drugs. The European Commission has now funded another RAND Europe–DPRC collaboration to help create a new European Crime Report.

The Challenges of Iran, Iraq, and Afghanistan. RAND made several contributions to U.S. policy considerations for this troubled region in 2009. Responses to Iran’s aggressive foreign policies and nuclear ambitions were the subject of research in both RAND Project AIR FORCE (PAF) and the RAND National Defense Research Institute (NDRI). PAF research assessed Iran’s motivations—including its grievances with the Arab world—and capabilities, noting both its strengths and important liabilities and limitations. An NDRI study traced the rise of the Islamic Revolutionary Guards Corps, or Pasdaran, from its origin during the 1978–1979 Islamic Revolution to its presence today as a large socio-political-economic conglomerate that affects much of Iranian life.

NDRI also released its congressionally mandated analyses of the timetable for withdrawal of U.S. forces from Iraq. It covered logistical constraints, base closures, the composition of the residual U.S. forces, and the ability of Iraqi security forces to successfully counter insurgent activity. A parallel analysis of logistics capabilities in Southwest Asia, conducted for the Army by the RAND Arroyo Center, led U.S. Central Command (CENTCOM) to conclude that a drawdown in Iraq could occur more rapidly than previously believed. In support of operations in Afghanistan, RAND provided a series of briefings on Taliban strategy and tactics and its shadow government to the Marine Corps and throughout the U.S. intelligence community.

Household Finances in a Difficult Economy. The always complex matters of planning family finances and providing for retirement have been aggravated by the recent deep economic recession and high level of unemployment. In an ongoing effort, RAND Labor and Population is tracking the effects of the recession using RAND’s American Life Panel, a nationally representative longitudinal survey of 2,500 households. Several waves of data have been collected since November 2008, and they provide a detailed picture of how spending, housing, employment, retirement savings, and future expectations are being affected by the financial crisis. Selected information from the American Life Panel surveys is being documented in a series of Occasional Papers.

RAND is also partnering with Dartmouth College and the Wharton School of the University of Pennsylvania in a new Financial Literacy Center. The center is intended to assist Americans at various

stages of their working lives and current retirees in preparing for or managing the resources they will need to support themselves in old age.

Contending with Cyber War. Computer networks essential to economic and military power are almost certain to be prime targets for cyber war in a military conflict, and, accordingly, a new U.S. Cyber Command was established this past October. However, a RAND analysis for the Air Force suggests that the lessons from traditional warfare are of only modest help in deterring or conducting cyber attacks—cyber war must be understood in its own terms. The attacker may not be known with certainty, and retaliation is unlikely to disarm hackers who can take advantage of cheap computing and ubiquitous networks. Cyber attacks tend to create temporary effects that impel corrective countermeasures. For these and other reasons, the analysis concludes that strategic cyber warfare, as contrasted with cyber defense, should not be a priority for the U.S. military. This research was briefed to the House Cyber Caucus, and several RAND analysts also participated in two other congressional cyber security events.

An ongoing RAND Arroyo Center effort is aimed at helping the Army define, prepare for, and articulate its role in the cyber war arena. A briefing for the Vice Chief of Staff provided initial recommendations on doctrine, organization, materiel, leadership, and personnel as they affect the Army role.

Is our research and analysis reaching key decisionmakers and the broader public, thereby improving the quality of the policy debate?

Our mission's emphasis on improvements to policy and decisionmaking requires that we ensure that RAND's findings and recommendations reach those who can use them to effect change. Although I cannot describe all of our outreach activities here, I believe RAND did very well in bringing its research to decisionmakers and the public alike. Let me begin with these illustrations:

- RAND's contributions to issues at the center of the debate on health care reform stretch back 40 years, beginning with the pathbreaking RAND health insurance experiment that provided the first and only long-term analysis of the relationship between cost sharing and health outcomes.
 - Early in 2009, the RAND COMPARE (Comprehensive Assessment of Reform Efforts) initiative released its first results on a stand-alone website (<http://www.randcompare.org/>). COMPARE synthesizes what is known about the effects of health policy options on quality, cost, and access and provides tools for assessing different design options. Results from COMPARE analyses were briefed widely within Congress and the Executive Branch and were the subject of public forums in Santa Monica and Nashville, as well as other outreach events. The analytic features of COMPARE were also briefed to the Congressional Budget Office (CBO) and some congressional committee staff members to help evaluate proposed reform bills and variations within them. The CBO also made use of a paper by RAND Institute for Civil Justice researchers in a letter to Senator Orrin Hatch that provided an updated analysis of proposals to limit the costs associated with medical malpractice.

Earlier RAND research on quality care and end-of-life decisionmaking was cited directly in the Senate Finance Committee report on its proposed reform bill. Similarly, two House of Representatives committee reports variously cited RAND work on quality of care and the recent analyses of medical residency requirements, and a third committee cited hearings in which RAND researchers participated.

- An important issue that bears on reform is how best to control the rising cost of health care. RAND researchers evaluated health care cost containment options for Massachusetts, which is fac-

ing challenges in maintaining the expansions in health insurance coverage that the state adopted in 2006. The RAND team found that the most promising options for controlling costs were related to reforms of the payment system, such as a single set fee for all services related to hospital-based services or management of chronic diseases rather than the current practice of individual fees for each service provided. Other issues related to health care reform that were addressed by RAND include the quality benefits of electronic health records; the cost and quality characteristics of retail medical clinics; and the effects of pay-for-performance in group medical practices. As with COM-PARE, these efforts received substantial media coverage.

- The terms of the debate may differ, but efforts to improve quality, access, and other attributes of the health care system also receive substantial attention in the United Kingdom. Two studies from RAND Europe are casting further light on how best to engage clinicians in quality improvement. The first evaluation, focusing on acute care, is now complete, and a study of primary care will follow in early 2011. The findings to date show how best to engage clinicians, but also demonstrate that measurable patient outcomes are limited. The study provides recommendations to enhance clinicians' engagement and maximize their impacts. The research has been briefed to the Department of Health in the UK, as well as to other interested groups.
- RAND's national security divisions contributed to the ongoing Department of Defense quadrennial review of defense strategy and programs, known as the QDR. Among the RAND studies drawn upon is the RAND Project AIR FORCE analysis of concepts for power projection and combat operations in contingencies centered in the Western Pacific, which earlier informed debates among U.S. senior commanders in that region and provided input to the Secretary of Defense. The Army Vice Chief of Staff noted that an Arroyo Center study of the recent experience with deployments in Iraq and Afghanistan and the implications for future deployments was having a major impact on QDR deliberations. That work had previously been briefed to senior Army leaders, the Joint Staff, the Office of the Secretary of Defense (OSD), and congressional staff. The armed services, OSD, and the Joint Staff continue to use scenarios developed by the RAND National Defense Research Institute in the QDR process for assessing future force capabilities.

On a related matter, but not part of the input to the QDR, a RAND Project AIR FORCE analysis helped shape early positions taken by the U.S. negotiating team for the ongoing discussions with Russia on the goals for reductions in nuclear weapons. That analysis showed that the initial U.S. goal of 1,000 warheads was not consistent with preserving the triad of strategic deterrence forces and that 1,500 warheads was a more realistic goal. The agreement with Russia is likely to reflect the latter number.

- RAND Europe was asked by the Netherlands Ministry of Defence (MOD) to provide an independent evaluation of the process for selecting a replacement for the F-16 fighter aircraft. RAND researchers examined the objectivity and transparency of the selection process with regard to its treatment of quality, cost, and delivery time. After the results of the analysis were given to the MOD, RAND was asked to testify before the Dutch Parliamentary Committee for Defence. In all, RAND researchers provided testimony before legislative and regulatory bodies 16 times in 2009.
- Among the several successful techniques used to bring RAND research to Capitol Hill is the series of Congressional Briefings. This past year, there were more than 20 such briefings, which cut across RAND's research; all of them are available on the RAND website as audio and video downloads.

In some instances, the briefings took advantage of RAND's ability to convene panels of experts from both RAND and other institutions. Two examples are:

- “Korea’s Experience in Harmonizing Public and Private Health Insurance Systems for Universal Coverage,” in which three senior officials from Korea engaged with the RAND participants in a discussion of a government-run option for providing health care coverage.
- “What Constitutes an Effective Approach to Limiting Greenhouse Gases?” RAND was joined in this discussion of the proposed cap-and-trade approach to limiting CO₂ emission in the United States by representatives of the U.S. Chamber of Commerce, the Dow Chemical Company, and the Natural Resources Defense Fund.

More generally, the effectiveness of RAND’s outreach to policymakers, the public, and donors continued to advance in 2009. For example, the number of print and broadcast stories about RAND research, including stories in the most prominent media outlets, and the number of RAND-authored commentaries and op-ed pieces, reached new highs. The increase in media interest was aided by RAND’s use of advisories to increase the media’s awareness of RAND research and experts pertinent to high-interest subjects, such as H1N1 preparedness, Iranian election protests, North Korea missile launches, and health care reform. And we are now using Facebook and Twitter to bring attention to RAND work in a near-real-time mode.

Have our products and services contributed to improvements in policy and decisionmaking?

This, the third test, is the most demanding. Many variables affect most policy choices, but RAND analyses are often instrumental, as described in the examples that follow.

Preparing for the H1N1 Influenza Pandemic. RAND has been at the forefront in helping the United States and other countries to improve their preparedness for a potential influenza pandemic. Beginning in 2006, RAND researchers conducted a series of exercises to strengthen regional disease surveillance and response capability in two regions: The five countries and two provinces of China that share the Mekong Delta of Southeast Asia; and a Middle East Consortium involving Jordan, Israel, and the Palestinian Authority. Health authorities in both of these groups have commented on how helpful these exercises were in preparing them to respond effectively to the H1N1 pandemic that emerged in April 2009.

Closer to home, RAND Health work with the U.S. Department of Health and Human Services and its Centers for Disease Control and Prevention (CDC) led to clarification of the roles of national and local agencies, development of a guide to the content and timing of critical decisions that will be needed prior to and during a pandemic, and improvements in data collection (e.g., about the incidence and severity of seasonal influenza and the supply and effectiveness of vaccines). A critical input was a RAND analysis that demonstrated that it is possible to collect very rapid information on outbreaks of seasonal flu and the uptake of vaccines. This led the CDC to greatly shorten its cycle for obtaining such information, and RAND is monitoring the uptake of H1N1 and seasonal flu vaccine among health care workers on a monthly basis for the next several months.

The CDC also acted on evidence-based recommendations for performance and infrastructure standards provided in a RAND evaluation of the Cities Readiness Initiative, which seeks to strengthen the responsiveness of metropolitan areas to public health crises. Similarly, RAND worked with the Department of Veterans Affairs (VA) in developing and conducting tabletop exercises to help identify links between the VA and other public health and medical entities that would respond to a pandemic.

Sustaining Key Skills in the Naval Shipbuilding Industry. The Ministry of Defence (MOD) is overseeing a 30-year, 50+ vessel modernization program for the naval fleet of the United Kingdom. The MOD asked RAND Europe to assess the technical workforce needed to design, build, and support the shipbuilding effort and to make suggestions about steps for sustaining the supply of needed skilled personnel. Earlier this past year, the MOD concluded a 15-year agreement with the largest naval shipbuilding firm in the United Kingdom that builds on the RAND recommendations for maintaining a stable maritime industrial capacity. The U.S. Navy also acted on RAND National Defense Research Institute findings that an increase in the journeyman workforce was the most cost-effective option to overcome shortages of skilled personnel in the public shipyards that maintain its ships. Several hundred personnel were added in 2009, with more planned in 2010.

Institutional Development in Qatar. In October 2009, Qatar University launched a new three-year strategic plan that builds on RAND-Qatar Policy Institute (RPQI) efforts in 2003–2007 to help the university develop a comprehensive initiative to align activities with strategies throughout the institution. Earlier in the year, the Qatar National Research Fund (QNRF) was given new responsibilities and given a new \$760 million commitment for support of R&D initiatives. This resulted from successful implementation of earlier RQPI recommendations for the vision, mission, goals, and operating policies of the QNRF as a primary vehicle for advancing research on local and regional development. RQPI research was also drawn upon in the recent modifications to the Qatari government structures for health and education.

Innovation in the United Kingdom Department of Health. RAND Europe provided a “think piece” on the role of prizes to stimulate innovation in the National Health Service (NHS). This work assessed the context in which innovation can take place, the historical record for the use of prizes, and other considerations that would affect the usefulness and limitations of prizes for innovation. As a consequence of the RAND Europe effort, the UK Secretary of State for Health announced the Innovation Challenge Prize. It provides an incentive for academics, scientists, and front-line NHS staff to develop innovative improvements in the English health system. The prize money amounts to up to £5 million per innovation and is intended to support further research.

Monitoring the Sale of Ammunition in California. The State of California recently signed into law new regulations to reduce access to handgun ammunition for convicted felons and gang members. The sponsors of the legislation drew upon a 2006 RAND study that analyzed supply-side strategies to intervene in the illegal firearms market in Los Angeles. The study concluded that about 2–3 percent of ammunition transactions involved prohibited purchasers, who were purchasing about 5,000 rounds of ammunition per month in Los Angeles alone. RAND researchers suggested a statewide system to monitor illegal ammunition transactions as an intelligence tool to help lead investigators to illegal guns. The legislation implements this suggestion starting in 2011.

Resource Allocation by Community Service Organizations. Several RAND projects in recent years have aimed to help community service organizations and foundations evaluate their resource allocation and operational options. Here are three such instances:

- A RAND Education analysis conducted for the Carnegie Library of Pittsburgh dealt with the increasingly serious budget outlook of the library and recommended a nine-point approach to increasing revenues, decreasing expenses, and improving efficiency. Outreach for the completed analysis included a RAND Policy Forum event in March that brought together many civic leaders

from the greater Pittsburgh area. In October, the library announced that it was reordering its programs and implementing many of the RAND recommendations.

- A RAND project for the Bill and Melinda Gates Foundation, completed in 2007, quantified the global health benefits of better clinical diagnostic tools and determined the performance specifications and infrastructure requirements needed to achieve the estimated benefits. The RAND study found that new, easy-to-use diagnostics (requiring minimal training and no electricity, refrigeration, water, or lab equipment) could save hundreds of thousands of lives annually for diseases such as tuberculosis and bacterial pneumonia, and, in the case of malaria, nearly 2 million lives annually. The Gates Foundation is now using the results of the RAND study to guide its selection of projects to receive \$30 million in new grants to develop and optimize point-of-care diagnostics for the developing world.
- The RAND Promising Practices Network (PPN) provided substantial input to the external review of the grant-making strategy of the Child Abuse Prevention Program of the Doris Duke Charitable Foundation. RAND conducted several components of this periodic review, including a Web-based survey of the child abuse prevention field that provided new information about the current state of the field, emerging priorities, and prevention strategies. As a consequence of the insights provided by RAND and the rest of the external review, the foundation revised its strategy for its five-year grant-making program.

Court Management of Class Action Litigation. The RAND Institute of Civil Justice (ICJ) has a long record of pioneering work on the effectiveness and fairness of class action suits. In research published in 2007, ICJ found that one of the important features of such suits, public notice of and transparency in the terms of settlements, was undercut by poor court oversight of the number of class members actually receiving payments and the amounts received. Subsequently, a North Carolina court cited this and other ICJ research in a case that likely will have important effects on other class action settlements in that state. Most recently, the Federal Judicial Center made extensive use of and cited the RAND work in the 2009 edition of its instructional guide, *Managing Class Action Litigation*, which is provided to district court judges.

Several of the efforts that we discussed in the *2008 Year in Review* message had notable effects on policy decisions in 2009. They include:

- The *Invisible Wounds of War* report examined the prevalence, costs, and treatment of posttraumatic stress disorder (PTSD), depression, and traumatic brain injury among veterans returning from Iraq and Afghanistan and led to major policy changes in the Department of Defense and Department of Veterans Affairs last year. Those agencies are continuing to refine their mental health prevention and treatment programs; the effort has also spread to other agencies at all levels of government and to many private- and community-based organizations. At the federal level, for example, the National Institute of Mental Health and the National Institute on Drug Abuse have announced new grant programs to support research on substance use, a common co-occurring problem to depression and PTSD, among veterans of Iraq and Afghanistan. The insights developed in *Invisible Wounds* are now being used in the aftermath of the tragic shooting at Fort Hood and recent military suicides. The *Invisible Wounds* report is still on the RAND best-seller list for both hard copy and downloads and continues to be widely cited by the media. It was recently named the best book published in the field of clinical medicine in 2008 by the Association of American Publishers.
- As an outgrowth of research on fair and effective police reforms, the New York City Police Department announced in April that it was altering its stop-and-frisk program in certain neighborhoods,

as recommended by RAND. In the new program, pedestrians that police officers stop in three pilot neighborhoods will be given a card detailing the reasons for the stop and the means for filing a complaint. RAND researchers also provided testimony to the New York City Council Committee on Public Safety and the Committee on Civil Rights.

- An extension of the RAND Arroyo Center work on improvements to military inventory management led to a significant change in Army thinking during 2009. RAND analysis briefed to the senior leadership of the Army showed that it was feasible to place the stocks needed in some forward locations on unused weather deck space of existing Large Medium-Speed Roll-on/Roll-off (LMSR) ships, as is the practice of the Marine Corps, instead of additional container ships. As a result, the Army decided to cancel the pending leases for two container ships, saving in excess of \$50 million annually.
- RAND Project AIR FORCE work on options for meeting air mobility needs included an analysis of the C-27J, proposed by many as the preferred primary intratheater airlift asset. The RAND analysis showed that this aircraft would not meet stated operational needs and thus changed the entire debate about the number of C-27Js that should be procured. The RAND analysis was used by the Secretary of Defense in congressional testimony this year.

Notable Developments at RAND

The accomplishments outlined here were paralleled by several developments that contributed to RAND's mission capabilities. Early in 2009, RAND opened a new office in Boston that provides an important link to the array of health-related researchers and universities in that area. RAND added to its global dimension by developing new clients and relationships in Mexico, Israel, Korea, China, Australia, the United Arab Emirates, India, and Europe, among other locales. This was a banner year, as well, for bringing new researchers into RAND to further deepen our ability to respond to the most interesting policy questions.

2009 also was a year of milestones for several RAND units. Two of our federally funded research and development centers, the RAND Arroyo Center and the RAND National Defense Research Institute, celebrated their 25th anniversaries at RAND, while RAND Project AIR FORCE completed its 63rd year of operations. RAND Health celebrated its 40th year, the RAND Institute for Civil Justice its 30th, and the RAND Drug Policy Research Center its 20th. In 2010, we will mark the 40th anniversary of the Pardee RAND Graduate School.

Finally, and very importantly, we emerged from the economic tumult of the past two years in a strong financial position, well equipped to cope with the lingering uncertainties in RAND's marketplace and able to further strengthen our role as a preeminent global policy research organization.

Appreciation

As always, it is the people of RAND that make the difference in satisfying our mission, helping our clients, informing the public, and sustaining the well-being of the institution. Michael and I take great pride in what you have accomplished and regret that we could not cover more of those accomplishments in this message. Please accept our deep appreciation for an outstanding collaborative effort in 2009. We look forward to working together with you in meeting the opportunities and challenges of 2010.



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