I want my treatment!

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Introduction

two definitions

- Economics analyzes the allocation of scarce resources
- Economists know the price of everything and the value of nothing
- both are relevant in health care
- “financial considerations should play no role in health care”

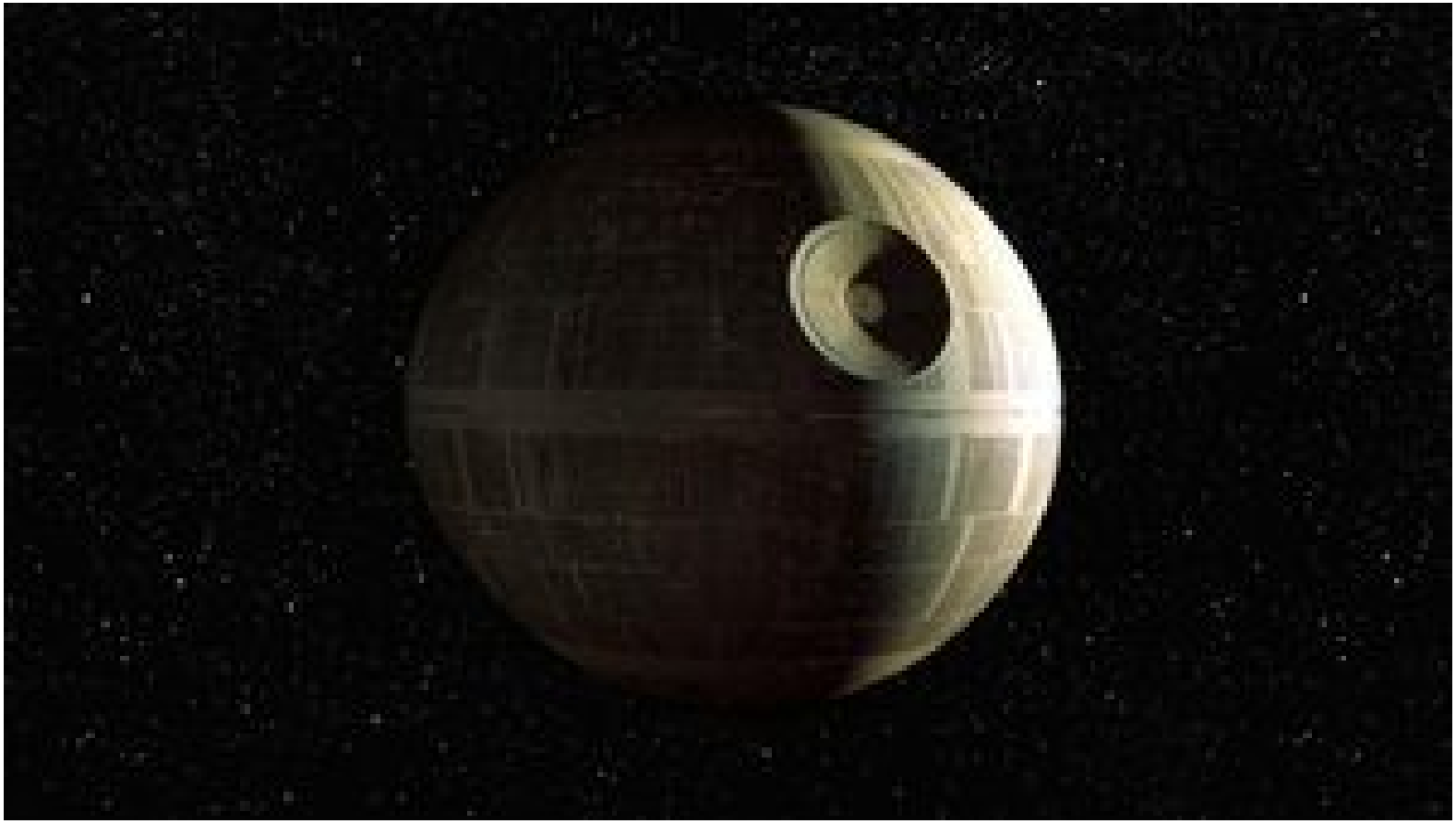
why worry?

value

- growth does not mean anything (good or bad)
- value is important
- is there reason to believe we lose value in health care?

examples

- proton beam therapy



- strong preference for treatment (even if it does not do anything) than to do nothing

Health insurance

moral hazard

- we have (mandatory) health insurance because
  - treatments are expensive and you may not be able to afford them
  - if you could afford the treatments, big reduction in "normal" consumption
  - solidarity: some people are unlucky with their health and we all pay for their treatments
- problem is that health becomes (almost) free
- when something is free, people tend to behave in "strange" ways

solutions

- higher copayment
  - insurance: people are risk averse
  - solidarity: chronically ill have to pay more
- exclude some treatments
- in the news:
  - "Advies: borstkankermiddel niet vergoeden", NRC 21-1-2016
  - "Bestraling van kanker kan beter maar kost wel 10.000 euro meer", NRC 5-3-2015
  - "Longkankermedicijn is te duur voor basispakket, vindt Zorginstituut", NRC 8-12-2015
  - "Pompe wel of niet in het basispakket, dat is de vraag", NRC 22-9-2012
  - "Duur medicijn voor SLE-patient afgewezen voor vergoeding", NRC 11-9-2012

Economic analysis

scarce resources

- we can spend each euro only once
- should we spend it on education, welfare benefits, the army, health care, consumption (lower taxes)?
- return on education is estimated to be around 15% per euro
- what is the return on health care expenditure?
- within health: if we face a budget, which treatments should we spend money on?

value of health

- suppose a treatment increases your life with exactly one year
- what is this worth to you?

- in the Netherlands we work with 80.000 euro
- the UK with 25.000 pound
- economic analysis finds something in the range 100.000-200.000
- we are trying here to allocate scarce resources optimally and need to know the return on this spending to make the trade offs
- but: Economists know the price of everything and the value of nothing

not perfect health

- there is a difference between a year of full health
- and a year lying in hospital
- or losing eye-sight
- not being able to do your own shopping, walking the stairs
- based on surveys, the 80.000 is discounted to take such effects into account
- then we get qaly's: quality adjusted life years

which treatment covered?

- by this reasoning
  - a new cancer treatment that brings 0.5 qaly
  - at the price of 50.000 euro per treatment
  - should not be covered by basic insurance
  - because, once it is covered, people will use it
- this is what (almost) happened to the treatments for Fabry and Pompe
- then the 8 o'clock news opens with ...

difficult choices

- should a 90 year old's qaly be valued the same as an 20 year old?
  - no, decreasing marginal returns and the 90 year old already had many years
  - yes, 90 year old has only few years left; the additional qaly is a big increase
- in the Netherlands, the analysis is not done at the patient level but at the treatment level
- average increase in qaly's is used to decide wether to cover treatment or not

Other effects

- if we would be "more generous" and use 150.000 euro per qaly:
  - more treatments can be covered
  - seriously ill people do not have to buy expensive treatments themselves
  - either more money is spent on health care (and not education, welfare, development aid)
  - or less money is spent on other treatments that have a higher return
    - then the physician her/him self has to decide who gets treatment and who not
  - pharmaceutical firms that have a monopoly (patent) on the drugs raise their price

Conclusion

policy implications

- allocating scarce resources leads to "unpleasant" choices
- economics makes these choices explicit
- this gives the impression that "we know the price of everything and the value of nothing"
- but if we do not make these choices as a society, physicians have to do it individually
  - very unpleasant for them
  - whether you get a life saving treatment or not, depends on your physician
  - may not be equipped to trade off treatment against money spent on education
- "financial considerations should play no role in health care"
  - not a great strategy
  - by definition not true: once you decide to spend your euro on a treatment, you do not spend it on something else