


Preventive Services ToolKit
Module 6:
Return on Investment (ROI)



(very different calculations for health care and Public Health)


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Slide 1

ROI = Policy defined as
deployment of dollars

- Health care: 1-year benefit (expenditure reduction) divided by 1-year cost
- Public health: Eventual long-term benefit divided by annual cost




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Slide 2

ROI -- Pitfalls

- Visible Issues:
 - baseline
 - and projected benefits
- Hidden Issues: (i.e. usually ignored at outset)
 - Confounding variables
 - Progression over time (in years)
- Political Issues:
 - Is this my (our) role?
 - Who bears the costs?
 - Who gets the benefits?
- Administrative Issues:
 - Delays in hiring, purchase, contracting
 - Can you hire or contract for the needed talent?
- Scientific and technical Issues
 - What intervention? What benefit
 - "Incubation period" – intervention to benefit
 - Saturation of intervention
 - Saturation of benefit
 - Secondary and tertiary impacts





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ROI in Health Care (HC)

- Costs – in Dollars
- Benefits – in Dollars
- Complexities
 - Baselines and "controls" unstable
 - Adverse selection
 - Mortality beneficial
 - Delays distort results
 - Hiring, contracting, etc.
 - Billing


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ROI in HC -- Timing of Costs,
Process, and Benefits

- Delay – conception of proposal to approval
- Delay – approval to implementation
- First 3-6 months – all cost, little or no benefits
 - Delay in getting program up and running
 - Delay in reaching all patients who could benefit from service
 - Delay between provision of service and capture of benefit
- Next 3 to 6 months – Benefits increase as more clients served
- Six months to three or four years – ever increasing benefits with relatively stable costs
- **After three to five years – program matures, costs continue, but no more year to year reductions in benefits.** (presuming stable enrollment)




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ROI in HC -- "Buy" vs "Build"

- "Buy" decreases delays
 - Increases the odds of favorable ROI Year 1
 - Eliminates needs for
 - specialized staff
 - specialized data systems
- "Build"
 - Reduces future year costs
 - DM vendor profits
 - Dual oversight
 - Enables provider to learn from DM programs
 - (DM processes similar across all DM programs)




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Slide 6

ROI in HC -- Program Longevity

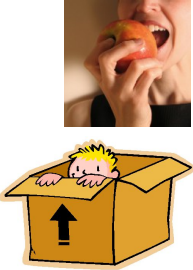
- Programs often eliminated when year to year additional cost reductions cease to occur
 - Maturation of service
 - Changes in membership
 - Billing/collection
- (poor quality literature)
- Entire DM Industry based on ROI



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ROI in HC -- Final Notes

- Justification
 - Short term cost savings
 - HEDIS or other accreditation-related
 - Personal preferences
 - (Health outcomes)
- Often Not Considered
 - Long term costs
 - Long term outcomes
 - Employer savings
 - Secondary benefits
 - Unintended consequences
 - Community priorities



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ROI in Public Health (PH)

- Costs: Political Capital more than dollars
- Direct Benefits: Morbidity and mortality
- Indirect Benefits:
 - Political capital
 - Emergency and disaster preparedness
 - Healthcare costs
 - Public safety (police and fire)
 - School
 - Jail and prison
 - Tax base

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ROI in PH-- Special Issues

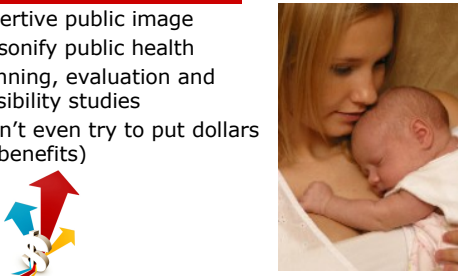
- No canned formula
 - Protective/preventive benefits impossible to objectively quantify in dollars
- Guideline sets
 - Local professional judgment
 - Legal mandates
 - National standards
- Values and stakeholders
- -- need to stay constantly ahead of budget analysts
 - Stakeholder support
 - National guidelines/experience
 - Local studies and analysis



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ROI in PH -- Tricks of the Trade

- Assertive public image
- Personify public health
- Planning, evaluation and feasibility studies
- (don't even try to put dollars on benefits)



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ROI -- Advice for Advocates

- **Project ROI separately by year for first five years at initial presentation**
- Restate pre-implementation baseline every year
- Define parameters to be tracked for program evaluation
- Consider confounding variables in annual reports
 - stability of enrollment and environment
 - other



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