



Cost-Effectiveness and Title I Planning

Robert Cordero

NYCDOHMH Office of AIDS Policy
Coordination



Legislative Requirements

- **Section 2602(b)(4)(C) of the CARE Act requires Title I planning councils to "establish priorities for the allocation of funds within the eligible area, including how best to meet each such priority and additional factors that a grantee should consider in allocating funds under a grant" based on factors that include:**
 - **"(ii) demonstrated (or probable) cost effectiveness and outcome effectiveness of proposed strategies and interventions, to the extent that data are reasonably available...."**



Legislative Requirements

- **Section 2603(b)(1) requires that supplemental grants be based on applications that, among other factors, "(D) demonstrates the ability of the area to utilize such supplemental financial resources in a manner that is immediately responsive and cost effective...."**

Expectations

- The CARE Act requires that services be provided in a manner that is coordinated, cost effective, and ensures that Title I funds are the payer of last resort for HIV/AIDS services.
- The underlying assumption is that CARE Act services reduce hospitalizations for persons living with HIV disease (PLWH) and are more cost effective than inpatient care.
- An important responsibility for CARE Act entities is to provide programs that make a difference in the most cost efficient manner



Expectations

- **Title I grantees should be able to compare the relative costs of providing a specific service among different providers. This necessitates having service standards, service units, and unit costs for each service.**
- **Quality of service is also a factor in determining cost effectiveness and needs to be considered both in selecting providers and in monitoring Quality Management programs.**
- **Planning councils need cost-effectiveness data to determine how to prioritize services and allocate funds.**



Description

- **Cost effectiveness can be described in several ways:**
 - A service or program is considered cost effective when the unit cost is reasonable and acceptable relative to the benefits and outcomes received.
 - A service may be considered cost effective if it can be provided less expensively than other similar services, but provides an equal or better outcome.
 - A service is cost effective if it provides an additional benefit worth the additional cost.



Description (cont.)

- **Cost effectiveness includes two interrelated dimensions: costs and outcomes.**
- **CARE Act programs should accomplish positive results (be effective) and do so at a reasonable cost (be cost effective).**

Challenges of Cost-Effectiveness Evaluation

- Among the greatest challenges of cost-effectiveness evaluation are the following:
 - Determining outcomes can be complicated.
 - Outcome measures that can serve as indicators or standards of care are still in the development stage in many eligible metropolitan areas (EMAs).

Challenges of Cost-Effectiveness Evaluation (cont.)

- Calculating unit costs (costs per service unit) or per-client costs is time consuming and often difficult. Most community-based providers do not budget by service unit or client, nor do they record expenses on this basis.
- The larger the unit of assessment, the more complicated the process.

Next Steps

- **HRSA expects EMAs and Planning Councils to make progress on developing strategies to incorporate cost-effectiveness analyses into the Title I planning process.**
- **The Planning Council funded Planning and Evaluation Cost Effectiveness Initiative for FY 2004**