

# A research agenda for economic evaluation of substance abuse services

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## Abstract

Economic analyses of substance abuse interventions play a critical role in informing the decision makers involved in funding these programs. Despite the emergence of new and more effective interventions, the adoption of costlier services still demands justification based on economic evidence. Updated and more rigorous economic information allows patients, health care professionals, insurance companies, policymakers, and others to allocate scarce resources more efficiently. To prepare for the next wave of addiction health services research, this article presents background information on the economics of addiction health services, reviews recent empirical and methodological contributions, and provides 15 research recommendations. © 2005 Elsevier Inc. All rights reserved.

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## 1. Introduction

Economics deals with the allocation of scarce resources in a society with unlimited desires. When resources become scarce, people face difficult choices. This general concept holds true in the field of health economics as well. Health economists study the allocation of scarce health care resources among consumers (e.g., patients), producers (e.g., health care professionals, hospitals), payers (e.g., taxpayers, insurance companies), and others (e.g., intermediaries; Phelps, 2003). Health care providers, insurance companies, patients, and policymakers must confront the challenges of allocating scarce medical resources as efficiently as possible (i.e., to achieve the greatest social welfare). In addition to improved outcomes from substance abuse services, payers often demand economic justification prior to the adoption of more costly interventions. Economic

evaluations of substance abuse programs play a role in providing that justification.

Economic findings for substance abuse services have also become increasingly important as the need for evidence-based practices has grown. Services are often based on traditional and sometimes outdated approaches, which may lead to undesirable and/or inefficient outcomes (Drake et al., 2001; Lamb, Greenlick, & McCarty, 1998; Marinelli-Casey, Domier, & Rawson, 2002). New and rigorous information must be disseminated in a clear and nontechnical manner to demonstrate the benefits of adopting services based on evidence rather than on tradition. If properly explained and disseminated, the results of economic evaluations have the potential to lead to further improvements in service development and delivery.

The literature indicates that substance abuse interventions are often economically beneficial, usually meaning that economic costs are offset by the economic benefits of programs (McCollister & French, 2003; The Lewin Group, 2002). It is important for policymakers to understand that with more research evidence and greater collaboration within and across disciplines, it may be possible to discover ways to further reduce the costs and increase

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the benefits of these programs, thus elevating overall social welfare.

The overarching goals of this article are to provide a status report on the economics of substance abuse services, to increase awareness of recent conceptual and empirical contributions in the area, and finally to propose an agenda for future research. We also address the challenges of conducting rigorous economic research on substance abuse services, some of which explain the gaps found in the literature. Identifying these gaps will call attention to new research opportunities. As a relatively new yet growing field, the economics of addiction health services contains ample room for innovative ideas and ambitious initiatives. A forward-looking status report can provide a roadmap for future research to ultimately improve the delivery, effectiveness, and cost-effectiveness of substance abuse services.

## **2. Summary of a blue ribbon task force report on National Institute on Drug Abuse health services research**

In May 2003, a blue ribbon task force (BRTF) was formed to assess the status of addiction health services research at the National Institute on Drug Abuse (NIDA) and to develop recommendations to strengthen the NIDA's research portfolio and involvement (NIDA, 2004). The BRTF report stressed that future health services research should be applicable to and suitable for use by all individuals involved in substance abuse services, including patients, clinicians, administrators, policymakers, insurance companies, and researchers. Furthermore, the report stated that health services researchers need to extend their focus to investigate the connection between cost, organization, and financing of addiction health services. Through greater collaboration, individuals and organizations from different fields can contribute their expertise to addiction health services research and facilitate the transition of research into practice. The working definition of health services research set forth by the BRTF serves multiple aims by uniting the various disciplines at work in the field under a general, shared guideline. According to this guideline, the main goals of health services research are to investigate and publicize the most effective approaches to organize, administer, finance, and provide quality care.

The BRTF report identified several research gaps related to costs, financing, and economic evaluation of prevention and treatment services. Funding for research projects that study financing or organizational factors made up 15% of the NIDA's health services research budget at the time of the report. Of the 125 grants funded by the NIDA in prevention research, only 7 were focused on financing and other economic analyses. Overall, prevention research lacks an emphasis on economic incentives, efficient allocation of resources, costs of programs with positive outcomes, cost-effectiveness analysis (CEA), and

benefit-cost analysis (BCA). Although an increasing number of research grants at the NIDA are studying the costs and financing of substance abuse treatment, not much is understood about how to implement the findings to improve practice. The BRTF emphasized the need for additional research related to financing and organizational issues, CEAs, BCAs, and research on how economic incentives affect outcomes. Health economists specializing in these areas could contribute their expertise and should be actively recruited to participate in future NIDA grants. Once the NIDA and other organizations develop a research consensus on a set of threshold cost-effectiveness ratios and other economic measures for addiction intervention outcomes, benchmarks can be established to systematically evaluate future interventions.

Although the BRTF report contains important information on all aspects of addiction health services research, it lacks a comprehensive economic perspective. To elaborate, the BRTF report makes several economic analysis recommendations in the areas of cost, financing, and economic evaluation, but these recommendations are not fully developed or extensive. Therefore, the present article aims to provide more detailed background information on the economics literature and to augment the research recommendations of the BRTF.

## **3. Review of recent developments in the economics literature**

There have been several recent and noteworthy methodological and empirical advances in research on the economics of addiction services and interventions. This section provides a brief review of some recently published research studies that, in our estimation, have set the direction for the field. The review is organized into six categories: cost studies, financing studies, economic benefits studies, CEA, BCA, and general methodological developments. Much of these information are also summarized in Table 1.

### *3.1. Cost studies*

Early evaluations of substance abuse interventions often calculated accounting costs although economic or opportunity costs are a conceptually superior measure (Graves, Walker, Raine, Hutchings, & Roberts, 2002). To enable better analyses of economic costs in the addiction treatment field, researchers have developed rigorous and more comprehensive instruments to estimate total cost of service delivery for an entire program, unit costs for individual services, and costs incurred by treatment clients.

The Drug Abuse Treatment Cost Analysis Program (DATCAP), a data collection instrument and interview guide, has been applied successfully to generate economic and accounting cost estimates for numerous substance abuse programs in the United States. The data collected from

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