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Implicit versus explicit ranking: On inferring ordinal preferences for health care programmes based on differences in willingness-to-pay

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Abstract

The paper explores the merit of the willingness-to-pay (WTP) method as a way to elicit public preferences regarding health care priorities. The aim is to test the extent to which the implicit ranking inferred from the ordinal differences in WTP-values corresponds with respondents' explicit ranking of the same programmes. This issue of convergent validity is explored by face-to-face interviewing of population samples in six European countries—in total 1240 respondents. The most consistent result is the inconsistency of WTP and explicit ranking in all six countries. The convergent validity of WTP is low, particularly among those who did not state different WTP-values on the three programmes being considered.
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1. Introduction

There are principally two different contexts in which the willingness-to-pay (WTP)-method becomes useful for health care decision makers; to provide the benefit-measure in a partial cost–benefit analysis when *one* new programme is considered, and; to compare the relative values of alternative programmes when *several* programmes are competing for the same resources within a fixed health care budget. This paper is concerned with the latter context; in that, it explores the merit of the WTP-method as a way to elicit public preferences regarding health care priorities.

In publicly financed health services, where health care managers lack fiscal discretion to finance the programme in question by raising the revenues that people say they would be prepared to pay, the cost–benefit motivation for obtaining WTP-values becomes futile. Under such policy restrictions, the usefulness of the method lies in considering the differences in the obtained WTP-values as expressions of respondents' preferred ordinal ranking of alternative programme options.

While this way of inferring *implicit ranking* based on differences in partially stated WTP-values represents an indirect way of obtaining ranking preferences, a more *explicit* way is to present the alternative programmes and ask the respondent to compare them and give her preferred ranking of their importance. In theory, rational respondents would reveal consistent rankings between the two methods, but do they?

The aim of this paper is to test the extent to which the *implicit* ranking inferred from the ordinal differences in WTP-values corresponds with respondents' *explicit* ranking of the same programmes. This is an issue of consistency, or a test of *convergent validity*, which measures the degree to which concepts that should be related theoretically are interrelated in reality.

One reason why this issue has not yet received much attention in the literature is that nearly all applied WTP-studies in health care have been partial studies of one programme in isolation (Olsen and Smith, 2001; Smith, 2003). An exception was a study of three programmes that showed a substantial discrepancy between the explicit ranking and the ranking implied from the partial WTP-values (Olsen and Donaldson, 1998; Olsen, 1997). These findings raised doubts over the use of WTP in this health policy context. Thus, further investigation of convergent validity was called for, and the EuroWill project was established in part to address this issue (see Donaldson, 1999 and Donaldson and Shackley, 2003 for a presentation of the project). Up to now, only single (and at most, double-) country investigations of other important methodological issues addressed by EuroWill have been published (Stewart et al., 2002; Protière et al., 2004; Ryan et al., 2004; Olsen et al., 2004a,b). This note is the first to publish findings based on the population surveys in all six European countries in which this project took place, addressing the convergent validity issue across all of these countries.

2. Empirical evidence for convergent invalidity

The results reported below refer to representative population samples in which three different health care programmes were presented in face-to-face interviews. Respondents

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