

Preface

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The Veterans Health Administration (VHA), like the American healthcare industry in general, has become increasingly concerned with the costs of the health care it provides. While retaining its commitment to providing high quality care to veterans, VHA is continuously examining the efficiency of its services and the value of its programs.

In line with that department emphasis, the health services research projects funded by the VHA Office of Research and Development (ORD) have increasingly included cost analyses. As the importance of cost analyses grew, however, senior staff in the ORD Health Services Research and Development Service (HSR&D) faced two problems. First, the quality of work was often questioned. As the circle of researchers proposing cost analyses moved beyond the experienced VA health economists, many proposals were inadequate and did not demonstrate an understanding of either the appropriate methodologies for analyzing costs or, more frequently, the complexities of drawing cost information from VA databases. Second, our system was fragmented. Even among experienced cost analysts, there was little systematic communication and no consensus about how to measure costs in VA. As a result, considerable energy was invested with each investigator developing his or her own techniques for dealing with the limitations of the VA cost system. Moreover, with each study basing costs on different methods and techniques, costs could not be compared or aggregated across studies.

As one of the early steps to address those issues, HSR&D convened a working meeting of VA and non-VA health economists, researchers, and managers in February 1998 to exchange ideas and pool resources on methods and strategies to determine

VA health care costs. The working meeting was organized through the HSR&D Management Decision and Research Center and was guided by the steering committee of 3 experienced VA health services researchers: Ralph Swindle, PhD (who chaired the committee), Paul Barnett, PhD, and Ann Hendricks, PhD, who serve as guest editors for this supplement. Over 2 days, participants discussed the strengths and limitations of VA administrative databases in measuring utilization and costs and also shared lessons about the state of the art in measuring costs. In addition, they outlined plans in 3 areas: developing an infrastructure to coordinate HSR&D cost research functions nationally; creating and supporting a research agenda to conduct studies that will improve cost methods and validate cost data; and broadly disseminating information on measuring costs.

This supplement grew out of that meeting. The first article summarizes the discussion, consensus, and recommendations from the working meeting. The other papers were prepared to inform the deliberations at the meeting or grew out of the discussion there. Whereas the meeting focused on measuring costs in VA, we believe that the discussion and the accompanying papers offer insights for others who seek to study or to lead large managed health care systems.

Since the February 1998 meeting, HSR&D has acted on the recommendations of the working meeting to extend its commitment to build an infrastructure to support high quality cost and economic analyses in three ways.

First, we are creating an HSR&D cost and economic analysis support center. The center is intended to serve as a resource to VA researchers by facilitating the exchange of ideas and techniques, by providing access to VA databases, and

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by mentoring economists and other cost analysts new to VA. The center is not intended to supplant the excellent work already being done by health economists in VA but is intended to support and extend their efforts. A request for applications to develop the center was issued in the fall of 1998.

Second, we are soliciting cost analysis projects from VA researchers. In the past, costs were analyzed only as part of larger studies. This new solicitation offers VA economists and cost analysts the opportunity to lead their own studies and it also supports their efforts to refine their methodologies. It also, however, encourages researchers to build cost components into ongoing multisite clinical trials to take advantage of the extensive array of high quality research that VA already has underway.

Third, we expect to reconvene the cost-working meeting as a cost summit or as a state-of-the-art conference on economic analyses. The continuing exchange of ideas about how to best analyze costs is an important element of building a strong infrastructure to support cost and economic analysis. Participants in the February meeting found immediate value in being able to meet face-to-face to network, to share techniques, and to discuss problems with their colleagues. We expect to continue to provide this opportunity on a recurring basis.

I am proud and encouraged by the work that we are doing to support and encourage cost and economic analyses in the Veterans Health Administration. I am pleased that we are able to share our work in this supplement to *Medical Care*.