AMERICAN ACADEMY of ACTUARIES

Broadening the Focus

Evaluating Health Care Programs

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Key Points

- ROI is useful but incomplete—While ROI is a familiar and quantifiable metric, it does not account for indirect impacts and non-financial outcomes like quality metrics, health outcomes, and long-term health improvements.
- Current evaluations are too narrow—A focus on short-term financial returns can discourage investment in preventive care and undervalue programs with broader benefits.
- A new framework is in development—The Health Equity Committee is creating a principles-based framework to incorporate indirect costs, savings, and non-financial outcomes for more holistic program evaluations.

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Issue Brief #1: Perspectives on Return on Investment

Many agree that the United States is not efficiently using its health care dollars.[1] Simply put, we may not be getting the best outcomes for our money. However, the solutions are not simple and change can be difficult to implement.

One of the primary charges of the American Academy of Actuaries' Health Equity Committee[2] (Committee) is to examine actuarial practices and methods to assess the extent to which they may affect health disparities and recommend changes when appropriate. The Committee began its work by formulating questions about the intersection of actuarial work and health equity. It published a series of issue briefs[3] leading up to the 2023 Health Equity Symposium: Health Benefit Design Innovations for Advancing Health Equity.[4] One of the key themes raised during the symposium was the fact that financial return on investment (ROI) and program costs are key factors that influence whether a health care program[5] will be implemented.[6,7] The narrow focus on financial ROI and cost may not consider the full value of the program and therefore may not lead to the best choice. By incorporating indirect costs and savings as well as nonfinancial outcomes into the evaluation of programs, a more holistic view of value of the program can be created. This holistic view can help decision-makers to use health care resources more effectively.

1 "How has the quality of the U.S. healthcare system changed over time?"; Peterson-KFF; March 11, 2025; "Americans Sour on U.S. Healthcare Quality"; Gallup; Jan. 19, 2023; "Charted: How Americans Feel About the US Healthcare System"; Advisory Board; Aug. 20, 2024; "Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System"; KFF; Sept. 19, 2024.
2 *Health Equity Committee*; American Academy of Actuaries; accessed Oct. 28, 2025.
3 *Health Benefit Design Innovations for Advancing Health Equity - Removing the Barriers to Successful Implementation*; American Academy of Actuaries; November 2023.
4 *Health Symposium - Health Benefit Design Innovations for Advancing Health Equity*; American Academy of Actuaries; November 2023.
5 For purposes of this paper, the term "program" refers to any program, policy, benefit, or intervention that is intended to impact health care cost, utilization, or outcomes for participants.
6 *Health Benefit Design Innovations for Advancing Health Equity: Removing the Barriers to Successful Implementation Overcoming Challenges to the Way Potential Benefit Changes Are Evaluated*; American Academy of Actuaries; October 2023.
7 *Health Symposium - Health Benefit Design Innovations for Advancing Health Equity - Session 2: Shifting the Focus from Costs to Cost Effectiveness*; American Academy of Actuaries; November 2023.

Actuaries, who are part of multi-disciplinary teams, are often relied on to estimate ROI and program costs. The information that actuaries provide can have a significant impact on the efficient use of health care resources for payers (employers, insurers, government agencies, and individuals).

The Committee has decided to continue exploring this topic throughout a project referred to as "Broadening the Focus." The objective of this project is to create a holistic principles-based framework that actuaries and other stakeholders can use when evaluating a health care program. The framework is not intended to be prescriptive but rather meant to serve as tool to highlight possible indirect costs, indirect savings, and nonfinancial outcomes that may impact the value of a program.

The Committee is soliciting input on the framework from various experts (both actuaries and nonactuaries) with a variety of stakeholder perspectives. Our goal for the framework is to provide a resource that can be used as a tool for supporting assessment of and recommendations for program changes that lead to more efficient use of health care resources. In this issue brief, the Committee presents initial findings from the first phase of this project, which was to solicit feedback from nonactuaries. This issue brief provides their feedback on the use of ROI for evaluating health care programs.

Measuring Health Care Programs, Policies, and Benefits

The Committee conducted interviews with six subject matter experts related to health care program evaluations from a wide range of backgrounds, including researchers, economists, and clinicians in both for-profit and not-for-profit health care research and analysis organizations. After ensuring that interviewees understood our project goal, the Committee asked them about several aspects of evaluating health care programs. The domains related to measurement and communication, and specifically addressed:

The Health Equity Committee is grateful for the time and expertise provided by the following individuals: Dr. Seth A. Berkowitz, MD, MPH, Associate Professor of Medicine, UNC School of Medicine; Dana Jean-Baptiste, MPH, Senior Researcher, Mathematica; Dr. Rishi Manchanda, MD, MPH, CEO, HealthBegins; Leanne Metcalfe, CPC, Senior Vice President Commercial Analytics, Aon; Dr. Paul Neimann, Senior Director, Program Evaluations, HSAG; Timothy Waidmann, PhD, Senior Fellow, Urban Institute

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- Advantages/disadvantages of financial ROI,
- Alternative metrics to ROI,
- Sources of data and information,
- Evaluation scope, and
- Presentation of both qualitative and quantitative information to decision-makers.

Interviewees highlighted the need to look at metrics beyond ROI and what approaches they take in their analyses of health care programs. For this issue brief, the Committee focused on the interviewees' feedback regarding advantages/disadvantages of using ROI for evaluating health care programs; in a subsequent issue brief, we will present feedback regarding alternative metrics and communication with decision makers.

ROI has several advantages.

- **Well Understood**—ROI is a well understood tool, it can help provide justification for funding, and it works well for measuring the impact of short-term outcomes such as reductions in emergency room visits or hospitalizations.
- **Quantifiable Metric**—ROI provides a clear, quantifiable metric that can help stakeholders, especially Chief Financial Officers (CFOs) and financial decision-makers, assess whether a program is financially viable.
- **Tool of Resource Allocation**—ROI can support resource allocation and investment prioritization and can be used to justify new programs or interventions, especially when budgets are tight or when competing priorities exist.
- **Regulatory Requirements**—In some cases, ROI is necessary to meet statutory or regulatory requirements.

There are also numerous disadvantages with using ROI to evaluate health care programs, policies, and benefits.

- **Narrow Focus**—ROI often excludes nonfinancial outcomes such as quality of life, health equity, patient satisfaction, and long-term health improvements. This narrow focus may ignore indirect benefits or broader societal impacts.
- **Inconsistent Application**—ROI is not applied uniformly across health care decisions. Many existing health care programs, interventions, and procedures are implemented without any evaluation of ROI, which creates a double standard for different types of programs depending on how established the programs are, what needs they address, and how they are funded.
- **Misalignment with Clinical Health care Goals**—Health care spending is largely "consumption" (to alleviate suffering) rather than "investment" (to generate financial return), making ROI conceptually misaligned with clinical goals. Clinical decisions are made to improve health or address health-related issues, they are not made to generate financial returns.

- **Short-Term Bias**—ROI tends to favor short-term gains, discouraging investment in preventive care or programs with long-term benefits. This is especially problematic in systems with high member churn (e.g., employer-sponsored insurance), where the payer may not see the future savings before the member leaves the health plan. ROI-centric evaluations may undervalue interventions that don't show immediate or sufficient short-term financial returns.
- **"Wrong Pocket" Problem**—Benefits of an intervention may accrue to a different entity than the one funding it (e.g., reduced criminal justice costs from a health care program). ROI doesn't account for cross-payer, cross-sector, or societal savings. While these savings may not have an impact on the decision-maker directly, should they be considered in the decision-making process and if so, how?

Conclusion and Next Steps

Using outputs from these interviews, the Committee has begun to draft the framework and will continue to refine it based on feedback from actuaries and nonactuaries, including key decision-makers. The Committee will share the ROI concerns raised by nonactuaries with members of the actuarial community and solicit their feedback. The Committee is working to collect feedback from actuaries from a variety of backgrounds and areas of practice through various presentations and requests for feedback. Actuaries have a wide range of experience with ROI calculations and applications, and the Committee believes it will be informative to have a dialogue about the advantages and disadvantages of traditional ROI metrics. The Committee will publish the framework in 2026.

In the next issue brief, the Committee will discuss some of the alternative metrics that can be used to address the limitations with ROI. Following that, the Committee will share these ROI concerns with members of the actuarial community for feedback. Actuaries have a wide range of experience with ROI calculations and applications, and the Committee believes it will be informative to have a dialogue about the advantages and disadvantages of traditional ROI metrics.

The Committee hosted an interactive Town Hall Webinar with actuaries on Nov. 12, 2025, to discuss these initial findings.

Join the conversation – Share your feedback with the Health Equity Committee to help shape this framework and advance more equitable, effective health care decision-making. Contact Matthew Williams, the Academy's health policy project manager, at williams@actuary.org.