American Academy of Actuaries

BROADENING THE FOCUS: Evaluating Health Care Programs

ISSUE BRIEF #2:

Beyond Financial Return on Investment

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Key Points

- Return on investment (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.
- Alternative metrics and other information can be used in place of, or in conjunction with, financial ROI.
- 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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In the Academy's December 2025 issue brief, *Perspectives on Return on Investment*, the Academy's Health Equity Committee discussed the advantages and disadvantages of using financial return on investment (ROI) and program costs as the key factors in deciding whether a health care program will be implemented. In this second issue brief in the series, we explore alternatives to traditional financial ROI calculation as decision-making tools for implementing health care programs.

Through our "Broadening the Focus" project, we intend to create a holistic principles-based framework that actuaries and other stakeholders may choose to use when evaluating a health care program or benefit. The framework is not intended to be prescriptive but is meant to serve as a tool to highlight possible indirect costs, indirect savings, and non-financial outcomes that may impact the value of a program.

During Phase 1 of the project, we conducted interviews with six nonactuaries who are program evaluation subject matter experts from a wide range of backgrounds, including researchers, economists, and clinicians. In this issue brief, we focus on the interviewees' feedback regarding alternative metrics and other information that can be used in place of or in conjunction with financial ROI. Interviewees highlighted the following considerations:

- **Health Outcomes:** Health outcomes can be used to evaluate the effectiveness of a health care program and could be used along with a financial ROI calculation. Some key health measures include:
  - Changes in clinical metrics (e.g., inpatient hospitalizations, ER visits, A1C levels for patients with diabetes, or blood pressure readings for patients with hypertension).

- Patient-reported outcomes (e.g., changes in quality of life, symptoms changes, or functional status).
- Preventive care indicators (e.g., rates of preventive visits or screenings).

Additional Alternatives

One way to broaden the definition of ROI is to include health outcomes in the financial ROI calculation. However, converting health outcomes into dollar values is difficult and can be controversial, since the application is subjective. For example, the use of Quality Adjusted Life Years (QALYs) in program evaluations has been subject to debate. Some consider QALYs discriminatory against individuals with disabilities and chronic illness,[1] while others support their use to compare programs.[2]

- **Engagement and Satisfaction:** In addition to considering the benefits, costs, and health outcomes of a program, decision-makers may want to consider the impact of the covered individuals' engagement and satisfaction, including patients, members, employees, and other dependents. It is important to understand who engages with various health care programs and why. Examples of metrics used to evaluate engagement and satisfaction include:
  - Net Promoter Score (NPS): Measures member loyalty and satisfaction.
  - Engagement metrics: Participation rates in programs, app usage, and follow-up visits.
  - Motivation-based metrics: Understanding why people engage (e.g., cosmetic vs. health reasons).
  - Culturally relevant engagement: Tailoring communication and benefits to population needs.
  - Disparity reduction: Understanding changes in outcomes across race, ethnicity, income, and geography.
  - Utilization by subgroup: Who is using services, who isn't, and why?
  - Access metrics: Wait times, provider availability, and digital access.

1 House Votes to Ban Metric Used to Deny Care for People with Disabilities and Chronic Illnesses; U.S. House Energy and Commerce Committee; Feb. 7, 2024.
2 "House QALY Ban Could Harm, Not Help, People With Disabilities And Chronic Illness"; Robert M. Kaplan, Peter J. Neumann, Joshua A. Salomon, Marthe R. Gold, *Health Affairs Forefront*; May 3, 2024.

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- **Organizational and Strategic Metrics:** Decision-makers should also consider broader organizational and strategic goals, which could be impacted by various health care programs. Some potential evaluation metrics include:
  - Retention and recruitment impact: Value of benefits in attracting and keeping employees.
  - Market share growth: Especially relevant for Medicare Advantage or Medicaid managed care.
  - Brand reputation and mission alignment: Supporting community health or equity goals.

- **Cost-Effectiveness:** Cost-effectiveness evaluation is an alternative calculation to financial ROI. Cost-effectiveness calculations look at the net cost of a program compared to the change in targeted health outcomes. These calculations focus on both the cost and the health outcome of a health program, comparing the results to those of another program or the status quo. Examples of cost-effectiveness measures include:
  - Cost per health outcome: For example, if a disease management program is expected to result in reduced hospitalizations compared to a control group that does not participate in the program, then the evaluation could consider the change in cost associated with the reduction in hospitalizations.
  - Incremental cost-effectiveness ratios (ICERs): ICERs are used to compare different interventions. They can be especially useful when comparing interventions that have significantly different costs and significantly different health outcomes. For example, when comparing high-cost specialty drugs used to treat obesity with lower-cost treatments such as food and nutrition counseling.

- **Longitudinal and Indirect Impact Metrics:** As noted in the prior issue brief, financial ROI may not adequately reflect long-term results, indirect benefits, and/or costs of a program. However, decision-makers should not lose sight of these effects. Several examples include:
  - Long-term health improvements: Chronic disease progression and life expectancy.
  - Productivity and absenteeism: Days lost from work and disability claims.
  - Stress and burnout indicators: Sleep, mental health claims, and performance ratings.
  - Substitution effects: Shifts from inpatient to outpatient, or ER to primary care.

Effective Communication

Effective communication regarding the evaluation of health care programs was also a key area of feedback provided during the interviews. Collaboration and clear communication across disciplines strengthen evaluation efforts. Interviewees shared a number of suggestions and recommendations for actuaries based on their experience:

- Inconsistent language and assumptions across disciplines is a barrier to effective decision-making. Actuaries and nonactuaries often use the same terms differently. A shared vocabulary could improve collaboration between qualitative and quantitative teams and help create a cohesive narrative.

- Engage with clinicians to understand context and outcomes. Present outcomes and context clearly, even if not quantifiable. Avoid oversimplifying complex health impacts into single metrics.

- Effective communication requires tailoring messages to different audiences (e.g., policymakers vs. academics). Different stakeholders (e.g., CFOs vs. CMOs) respond to different types of data and framing. It is important to provide visuals and clear narratives when communicating highly technical information to a diverse audience.

Conclusion

By incorporating outcome measures and effective communication into the ROI equation, decision-makers will have a different lens through which to consider their options. The Health Equity Committee continues to refine the framework, recognizing that broadening the focus means ongoing reevaluation.