Society of Actuaries®

Health '26 Meeting

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Broadening the Focus on ROI:

The American Academy of Actuaries' Health Equity Committee's Framework on New Ways to Think About Financial ROI

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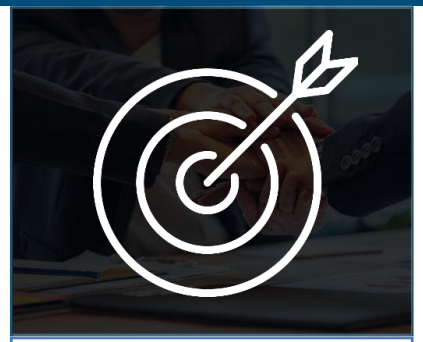

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To serve the public and the U.S. actuarial profession

Community:
Serving over 20K MAAAs & public stakeholders for 60 years

Standards:
Setting qualification, practice, and professionalism standards

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Delivering over 300 insight-driven publications & resources annually

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Agenda

- Introductions
- Overview of the Framework
- Example 1—Case Study/Group Discussion
- Example 2—Case Study/Group Discussion
- Q&A

Polling Question 1—Getting to Know You

Q1. What best describes your primary area of practice?

a) Health consulting (commercial)
b) Health consulting (Medicare/Medicaid)
c) Health insurance/payer
d) Provider/health system
e) Government/regulator
f) Academia/research
g) Other

Polling Question 2—Getting to Know You

Q2. How frequently do you use financial ROI in your work?

a) Regularly (core part of analyses)
b) Occasionally
c) Rarely
d) Never

Polling Question 3—Getting to Know You

Q3. Beyond financial ROI, how often does your organization consider non-financial outcomes (e.g., access, equity, patient experience)?

a) Routinely incorporated
b) Sometimes considered
c) Rarely considered
d) Not considered
e) Unsure

What Is the “Broadening the Focus” Project?

- An American Academy of Actuaries’ Health Equity Committee initiative
- Expands program evaluation beyond financial ROI
- Principles-based framework including equity and non-financial impacts
- Informed by actuaries and nonactuarial stakeholders
- Supports more holistic benefit decision-making

Why “Broaden the Focus”?

- The U.S. is not using health care dollars efficiently—costs are rising, yet outcomes and access are often not improving proportionally
- Decisions often rely too heavily on short-term costs and ROI, which could miss important benefits
- A broader, more holistic view helps decision-makers use health care resources more effectively and align spending with better outcomes
- Actuaries play a key role in shaping these decisions; expanding the lens can improve how actuarial insights support access, affordability, and value

Polling Question 4—Reactions

Q4. Which of the following best reflects your perspective?

a) Financial ROI is generally sufficient for decision-making
b) Financial ROI is helpful but often incomplete
c) Financial ROI frequently misses important value
d) Financial ROI is rarely useful

How Are We “Broadening the Focus”?

- Interviewed non-actuaries who work on program evaluations
- Presented their feedback to the actuarial community through:
  - Our first two issue briefs
  - Academy Town Hall Webinar
  - Presentations to actuarial clubs and organizations
- Interviewed actuaries who work on program evaluations
- Presented their feedback to the actuarial community through:
  - Our third issue brief
- Compiled the information and feedback provide to create our initial framework (published in the fourth issue brief)

Findings: Issue Brief #1—Perspectives on Return on Investment (nonactuaries)

Five key areas where a financial Return on Investment (ROI) may fall short in demonstrating the true value of a program:

1. Narrow Focus
2. Inconsistent Application
3. Misalignment with Clinical Health Care Goals
4. Short-term Bias
5. “Wrong Pocket” Problem

Findings: Issue Brief #2—Looking Beyond Financial ROI

- Complementary measures help decision-makers better understand program value
- Potential alternative metrics to financial ROI include:
  - **Health outcomes:** clinical measures, patient-reported outcomes, preventive care indicators
  - **Engagement & access:** participation rates, satisfaction, access barriers, utilization by subgroup
  - **Cost-effectiveness:** cost per health outcome and comparisons across interventions
  - **Organizational value:** workforce retention, enrollment growth, mission alignment
  - **Long-term & indirect impacts:** disease progression, productivity, care setting shifts

Findings: Issue Brief #3—Actuaries Respond to the Limitations of Financial ROI

- Actuaries recognize five key limitations of financial ROI: narrow focus, inconsistent application, misalignment with clinical goals, short-term bias, and the “wrong pocket” problem
- Financial ROI is viewed as necessary but insufficient on its own
- Challenges include program attribution, measuring long-term impacts, and overlapping interventions
- Actuaries support greater standardization and guidance to improve consistency and credibility
- These insights reinforce the need for a broader, more holistic approach to evaluating health care programs

Polling Question 5—Reactions

Q5. Do you agree with the statement: “Financial ROI is necessary but insufficient on its own”?

a) Strongly agree
b) Somewhat agree
c) Neutral
d) Somewhat disagree
e) Strongly disagree

Polling Question 6—Challenges

Q6. What is the biggest practical challenge in expanding beyond ROI?

a) Attributing outcomes to a program
b) Measuring long-term impacts
c) Data limitations
d) Stakeholder buy-in
e) Lack of standard methods/guidance
f) Unsure

Polling Question 7—Need for Guidance

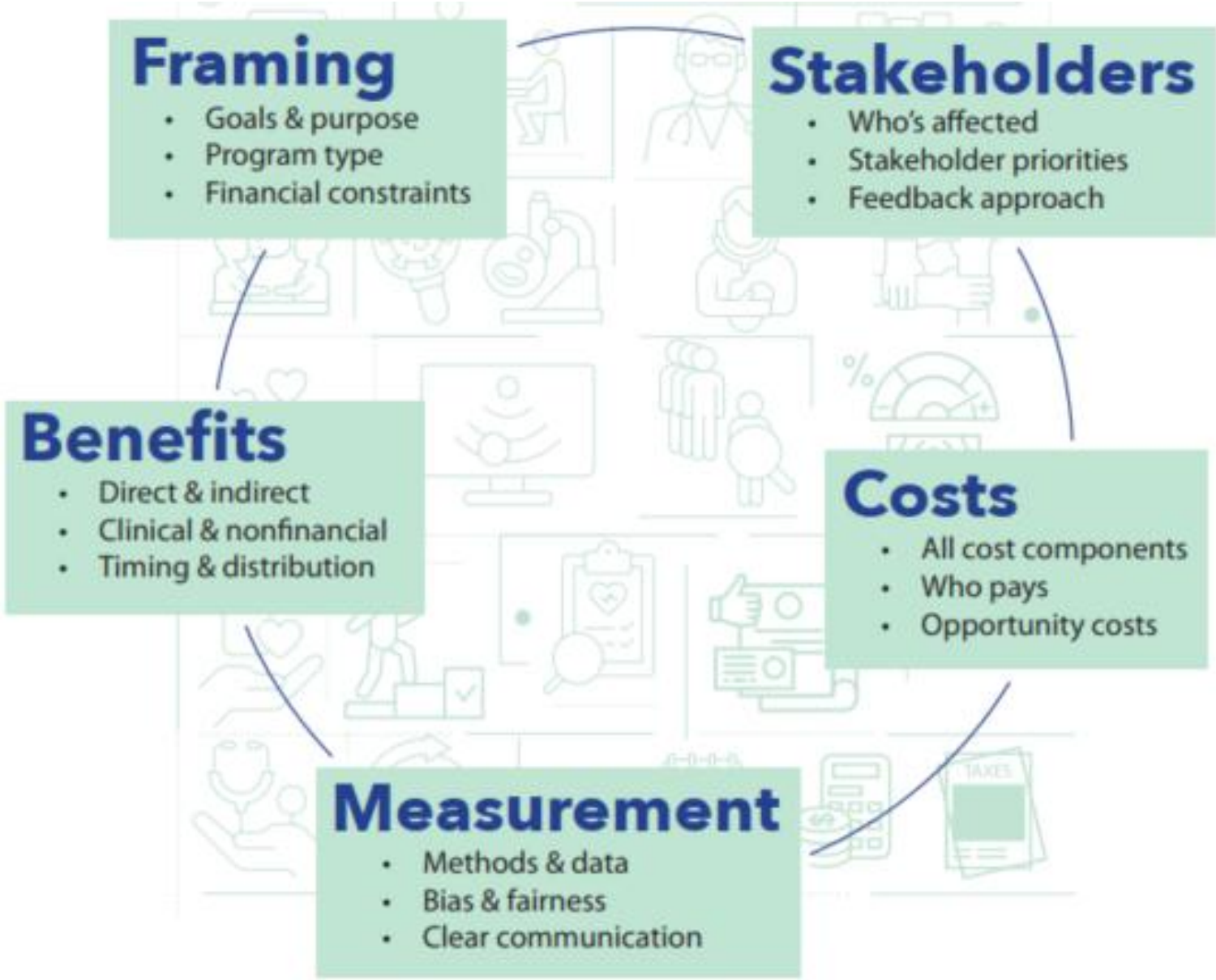
Q7. How valuable would standardized guidance/frameworks be in your work?

a) Extremely valuable
b) Very valuable
c) Moderately valuable
d) Slightly valuable
e) Not valuable
f) Unsure

Introducing the Framework

Guiding Principles

- **Consider the broader impact, not just financial return:** Incorporate clinical, equity, operational, economic, and societal dimensions; consider both direct and indirect costs and benefits.
- **Preserve analytic rigor, transparency, and objectivity:** Acknowledge uncertainty, avoid false precision, and clearly communicate methodological limitations.


Framing
Goals & purpose
Program type
Financial constraints
Stakeholders
Who's affected
Stakeholder priorities
Feedback approach
Benefits
Direct & indirect
Clinical & nonfinancial
Timing & distribution
Costs
All cost components
Who pays
Opportunity costs
Measurement
Methods & data
Bias & fairness
Clear communication

Framing	
Questions	**Common Considerations and Examples**
What outcomes are we seeking to improve?	Clinical outcomes, wellbeing, equity, access, satisfaction, productivity, long-term sustainability, or combinations of these and other factors.
What type of program is being evaluated?	Required benefit or supplemental program. A new or existing program, such as care management intervention.
What are the goals of the program?	Consider how goals drive the measurement of impact. Goals will likely be tied to the outcomes the program tries to improve.
Are there specific financial requirements for implementation?	Cost neutral, cost saving, incremental cost cap, or other requirements.
What time horizon is relevant for evaluating success?	Short-term versus long-term impacts may differ. Consider whether the evaluation period aligns with when meaningful clinical, financial, or other outcomes are expected to emerge.
What risks are associated with the program?	Consider the types of risk involved, such as financial risk, operational risk, clinical risk, reputational risk, or sustainability risk.

Stakeholders	
Questions	**Common Considerations and Examples**
What is the population affected by the program?	Medicare, Medicaid, commercial populations, condition-based population, geographic-based populations, other subpopulations, or combinations of these.
What other types of stakeholders are engaged?	Payers, providers, individuals/patients, families, employers, and the community.
What are the objectives of the stakeholders?	Financial sustainability, mission fulfillment, employee retention or attraction, improved productivity, membership growth, improved clinical outcomes, improved quality of life, etc.
How is stakeholder feedback collected?	Collected directly, inferred or derived, either one-time or throughout the process.
How similar is the target population to populations used in published evidence or prior evaluations?	Published ROI estimates are often based on broad or heterogeneous populations; consider whether differences in demographics, health status, utilization patterns, or benefit design may materially affect expected results.

Benefits	
Questions	**Common Considerations and Examples**
What are the benefits of the program?	Direct and indirect, financial and nonfinancial, local and societal.
What is the magnitude of the benefits?	Insignificant for the overall population but significant for certain individuals or subpopulations, or significant for the overall population.
What nonfinancial outcomes are relevant to the program?	Member satisfaction, health outcomes, engagement, retention and recruitment, productivity and absenteeism, patient experience, satisfaction, provider burden, workflow impacts, care-team feasibility, caregiver impacts, community or societal benefits, brand value and community trust.
Are clinical and financial outcomes aligned?	Recognize that there can be tension between clinical and financial outcomes. Consider whether perspectives from both clinical and financial stakeholders are reflected in the selected outcomes and metrics.
When are the benefits expected to accrue?	At the same time the costs are incurred, months later, years later. If the timing of the benefits doesn't align with the costs, consider actuarial methodologies for accumulating or discounting future values.
To whom are the benefits expected to accrue?	The organization implementing the program, another payer, the provider, the community, or the patient's family.
How do uncertainty and variability affect expected outcomes?	Expected benefits may vary due to participation rates, implementation effectiveness, population characteristics, interaction with other programs or external factors; consider how this uncertainty affects expectations of value.

Costs	
Questions	**Common Considerations and Examples**
What are the costs of the program?	Impact of population churn/turnover, impact of participation rates, startup costs, administrative costs, provider costs.
How do costs align with stakeholders?	Who pays for the program, whether multiple stakeholders share the costs, if pooled investment strategies across stakeholders are viable, how the cost of the program impacts overall affordability.
Are there opportunity costs if this program is not implemented?	Increased medical costs, poor clinical outcomes, lost productivity, long-term unsustainability, etc. Consider how the timing of costs and benefits affects interpretation of overall value.

Measurement	
Questions	**Common Considerations and Examples**
What methods are used to measure the benefits and costs?	While there are various measurement approaches and methodologies (outside the scope of this framework), they must be rigorous and objective. Scenario analyses can be used to test results.
Do the data support a rigorous and statistically valid analysis?	Consider whether available data are sufficient to support statistically valid analysis and, if not, how limitations affect the confidence in and interpretation of results. Consider the trade-off between population specificity and statistical credibility when evaluating results for smaller or targeted populations.
How can bias in measurement *data* be addressed?	Measurements and methodologies used to evaluate a program may have bias (i.e., they may not perfectly estimate the impact). Consider how these biases can be mitigated in the evaluation. The experience data used to evaluate a program may not reflect the needs of underserved populations. Consider how this limitation may affect interpretation of results and conclusions. Claims data reflect utilization, not need.
Are measurement *methods* fair and unbiased?	Consider whether key measurement decisions (e.g., inclusion criteria, baselines, risk adjustment) reflect the perspectives of affected stakeholders.
Is there evidence to support the benefits?	Consider how limited or missing historical data for a new program may increase uncertainty in the evaluation. Specialty programs may not impact enough individuals to produce credible results. Overlapping programs may make it difficult to attribute results to a particular program to determine its benefits. Consider whether observed results reflect underlying performance or normal variation.
Is there qualitative data that can be used objectively?	Nonfinancial outcomes can be difficult to measure objectively. Some outcomes may not be readily quantifiable; consider whether qualitative information can provide important context alongside numerical results.
How does this program interact with other programs, services, or care pathways?	Consider how coordination, sequencing, and referral pathways across programs may influence their combined effectiveness rather than their individual performance. Consider how to attribute impact to the program studied versus other programs.
How are results communicated?	Consider how clearly data and methodological limitations are articulated and whether decision-makers have adequate context to interpret the results. Consider the audience and any risks associated with different audiences using results in unintended ways.

Case Study 1—Community Health Workers

- Review case study
- Break up into assigned group
- Review the case study based on the assigned framework
- Present on group discussion

Case Study 2—Cellphones for Medical Care

- Review case study
- Break up into assigned group
- Review the case study based on the assigned framework
- Present on group discussion

Polling Question 8—Adoption Readiness

Q8. How likely are you to apply this framework (or elements of it) in your work?

a) Very likely
b) Somewhat likely
c) Unsure
d) Unlikely

Polling Question 9—Future Interest

Q9. What would be most helpful next?

a) Detailed examples
b) Practical tools/templates
c) Methodological guidance
d) Regulatory/industry examples
e) Training or workshops

For more information, please contact

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Questions?

Provide Your Feedback

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