

Benefit-Cost Analysis (BCA) and Integrated Data Systems (IDS)

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***Integrating Education, Health and Human Services
Data to Inform Public Policy***

Current relevance of the topic: 7 forums in 6 weeks

- *Theory, Science, and Statistics in the Use of Benefit-Cost Analysis*, October 20-21
- *Utilizing Administrative Data: Technical, Statistical and Research Issues*, October 27-28
- National Academy of Social Insurance, November 2
- Association for Public Policy and Management, November 3-5
- *Workforce Data Quality Initiative*, November 14
- *State Longitudinal Data Systems P-20W Best Practice Conference*, November 15-16
- *Integrating Health and Human Services and Education Data to Inform Public Policy*, November 28-29

Overview

- Benefit-cost analysis (BCA) concepts
5 minutes
- Utility of BCA for policy decision-making
5 minutes
- The value of Integrated Data Systems (IDS) for conducting decision-relevant BCA
5 minutes
- Examples of IDS use
10 minutes
- A vision of future IDS availability, access and use
15 minutes

Benefit-cost analysis (BCA) concepts

- BCA is more than cost-effectiveness analysis
- BCA is a *process*, not a decision-made step
- The importance of standardization and rigor
- Perspective(s)/standing
- Program-level and portfolio analyses
- Private and social; market and non-market
- Shadow prices assigned to non-market benefits and costs
- Willingness to pay and willingness to accept

Utility of BCA for policy decision-making

- Real-time case management vs. statistical decision support
- Internal implicit (opportunity cost) considerations and externalities
- Risk and uncertainty
- Sensitivity analysis; Monte Carlo simulation
- Proportionate analysis
- Information quality [Boruch session follows] and gaps

The value of IDS for conducting decision-relevant BCA

- *Ex ante* and *ex post* applications
- Longitudinal *integrated* data; not isolated silos of historical information
- Scope—program(s), data fields, time coverage
- Current examples of decisions that could use IDS inputs:
 - **USDA: No big savings from pizza [and French fries] in schools.** Perspective/standing considered? (*Washington Post*, 11-17, A3)
 - **Transportation Security Administration (TSA) has not improved aviation security.** TSA response is that it seeks to “provide the most effective security focusing on those who present the highest risk, in the most efficient way possible” (*Washington Post*, 11-17, A7)
 - **Congress kills request for new climate service.** “Congress barred the National Oceanic and Atmospheric Administration (NOAA) from launching what the agency bills as a ‘one-stop shop’ for climate information. Demand for such data is sky-rocketing.” (*Washington Post*, 11-21, A3)

Health, social services, education and workforce examples of IDS use

- Extension of Emergency Unemployment Compensation (EUC) and Extended [UI] Benefit (EB) financing legislation—December 2011
- Owner-occupied home foreclosure response
- Skill obsolescence response
- P-20W life-cycle intervention impact points
- Primary healthcare availability
- Correctional education; developmental education

A vision of future IDS availability, access and use

- The confidentiality (and privacy) fear factor hurdles
- Federated vs. warehouse designs
- ID management approach and accuracy standards
- *Ex ante* and *ex post* priority choices
- Perspective(s)/standing encompassed
- Interpersonal equity considerations
- Inclusion of shadow price calculations; choice of discount rate; treatment of uncertainty

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A vision of future IDS availability, access and use (cont.)

- Multiple types of expertise are needed to contribute benefit and cost estimates
- Cultural cognition research (Yale Law School) individual vs. collective perceptions of risk; and Daniel Kahneman (2011) *Thinking, Fast and Slow*
- “Communicators must attend to the cultural meaning as well as the scientific content of information” , Kahan, Jenkins-Smith and Braman, “Cultural Cognition of Scientific Consensus” (2011), *Journal of Risk Research*, 14:2, pp. 147-174
- Common language—clarity and persuasiveness of communication

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