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The Role of the Federal Statistical System in Evidence-based Policymaking, or How to Make the Statistical System Essential

By
MICHAEL J. O'GRADY

This article discusses the strained nature of the relationship between the research/analytic world and the policy/political world. The research/analytic world in general and the statistical community in particular are portrayed as not wanting to be pulled into partisan politics. At the same time, the policy makers are portrayed as not seeing that statistical analysis is essential to confronting difficult real-world decisions. The article points out that there is a fundamental pressure pushing the two together: the federal budget. It shows that over the past decade or two, funding for statistical agencies has been under increasing pressure to show the "return on investment" of the taxpayers' dollars. The article suggests that the way out of this problem is by becoming an essential partner with the policy makers in dealing with the challenging issues that they face by supporting and advancing evidence-based policymaking.

Keywords: healthcare reform; Office of Technology Assessment; Health and Human Services

For two years during the administration of President George W. Bush, I served as the assistant secretary for planning and evaluation (APSE) at the U.S. Department of Health and Human Services (HHS). There are about twenty positions at this subcabinet level, all Senate-confirmed political appointees. Some portfolios are large, such as those handled by the administrator of the Centers for Medicare and Medicaid Services (CMS), the commissioner of the Food and Drug Administration (FDA), and the director of the Centers for Disease Control and Prevention (CDC). Some portfolios are small, such as those under the auspices of the

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general counsel, the assistant secretary for legislation, and the assistant secretary for health. The ASPE falls into this second category.

ASPE is the policy analysis “shop” working directly for the HHS secretary. If the assistant secretary is doing an effective job, the secretary turns to the ASPE to develop new policy initiatives; to get an early warning about emerging issues; and to get an unbiased second opinion on policy decisions coming to the secretary on a variety of HHS issues, ranging from welfare reform to health information technology to healthcare reform.

The reason I believe that I was chosen for my position by then-Secretary Tommy Thompson was that I had a foot in two worlds: the research/analytic world and the policy/political world. ASPE is one of the places where these two worlds come together. However, the relationship between those two worlds is strained. Each feels uncomfortable with the other. The research/analytic world in general and the statistical community in particular do not want to be pulled into partisan politics. Policy makers do not see that statistical analysis is essential to confronting the very real and very hard decisions they have to make.

Uncomfortable or not, there is a fundamental pressure pushing the two together: the federal budget. There is a budget reality of limited available funds. Over the past decade or two, funding for statistical agencies, their data collection efforts, and the research they conduct are under increasing pressure to show a “return on investment” for taxpayers’ dollars. Policy makers may not think of themselves as making return-on-investment decisions, but their actions tell a different story. Their funding decisions show a clear pattern. If the choice is \$10 billion in additional funding to the National Institutes of Health (NIH) or to the Census Bureau, the Census Bureau seldom stands a chance. Policy makers are not irrational to assume that NIH will generate a better return for the American people than the Census Bureau will.

With the start of the Obama administration, this pressure has been relieved somewhat. Still, the additional funding that statistical agencies have enjoyed in the short run is borrowed money and will have to be paid back. As the political and policy priorities shift away from the economic recession and back to confronting the staggering federal budget deficit, the pressure to reduce expenditures will return and probably be even greater. Statistical agencies need to act now to change the fundamental way that they interact with policy makers before budget cuts return. Federally funded statistical agencies must be relevant to the policy debate, if for no other reason than their self-preservation.

This pattern is not a new phenomenon. When the Republicans took control of both the House and Senate after the 1994 election, they were under self-imposed pressure to reduce legislative branch spending. At that time, there were four major analytic agencies serving Congress: the Congressional Research Service (CRS), the Congressional Budget Office (CBO), the General Accounting Office (GAO), and the Office of Technology Assessment (OTA). (I was then a senior civil servant at the CRS.) By the end of the budget-cutting process there were only three agencies left. The OTA had been shut down. The OTA did not do poor research or shoddy analysis. It was an excellent organization. The very clear message that came back from the congressional committee staff was that three of the

four agencies were essential to the business of Congress. The fourth was not. Those who lived through the demise of the OTA will also point to other factors behind its elimination, such as getting too close to one party over the other, but that was not the message sent back to the three surviving agencies. The message was clear: your existence is not an entitlement. The fact that the outside research community values your contribution is not enough. If they value it so much, let them pay for it. You work for Congress, and do not forget it.

Typically, the process is not as dramatic or sudden as it was for the OTA. The more typical pattern is a spending freeze one year followed by a 2 percent cut the next year, a phenomenon quaintly referred to as “death by a thousand cuts.” The leadership of these statistical agencies has developed a set of techniques to limit the damages inflicted on their programs—such as reduced sample sizes, fewer primary sampling units, and longer time gaps between surveys—but the death by a thousand cuts is a downward spiral that eventually cannot be reversed. At some point, the fundamental usefulness of the data collection has been compromised too much.

For example, as the debates over providing a Medicare drug benefit began in 1999 and 2000, there were a number of proposals beginning to emerge from the Senate Finance Committee. One of those proposals was being sponsored by the chairman of the Finance Committee, Senator Bill Roth (R-DE). It included a hybrid of public and private mechanisms to provide coverage and built off the logic that there were some functions the private sector did more effectively and efficiently and some the government did more effectively and efficiently. A key senator had his staff approach Senator Roth’s staff with a simple question. He thought that between the low-income supports and the protections for employer-based coverage, almost all the seniors in his state would be covered by the Roth proposal—but could Roth’s people verify that and let him know what percentage of his seniors would still have no drug coverage? When the Roth staffer asked that question, one would have thought it would be easy to get a fast, accurate answer to a very reasonable question. Unfortunately, that was not the case. The most appropriate data source was the Medicare Current Beneficiary Survey (MCBS) conducted annually by HHS. However, in response to budget pressures, the MCBS staff had reduced the primary sampling units (PSUs), and there was no PSU in this key senator’s home state. As it turned out, an estimate based on the senator’s region of the country was far too imprecise for the senator to make an informed decision. It was another three years before a Medicare drug benefit actually passed.

Policy makers, both political and nonpolitical, are faced with a series of crushing problems. It is perfectly rational for policy makers to support and fund those parts of the government that can and will help them deal with these vital issues.

Competition for Funds for Research

How does research in general—and a statistical agency in particular—compete for limited funds in such an environment? The situation is grave, but there is a solution. By becoming an essential partner with the policy makers in dealing with

the very real, very challenging issues that they face, evidence-based policymaking can be supported and advanced. This is not a partisan issue. Both parties have policy makers who do not seem to let the facts get in their way, and both parties have policy makers who prefer an analytic approach based on empirical evidence. The goal of the research community should be to help those policy makers who want to rely on empirical evidence to make policy decisions. The hard lesson of the demise of the OTA in 1995 should be kept in mind: if you want to survive, become essential to debate.

The best way to learn how to do this is to look at those organizations that have already had success in supporting evidence-based policymaking. Who has already done this effectively? Who are the trusted researchers that policy makers currently turn to? In the legislative branch, there are a number of examples. Already mentioned are the CBO, the CRS, and the GAO. For modeling and analysis of tax provisions, the Joint Taxation Committee is a trusted source. In the very complex and contentious world of Medicare policy, the Medicare Payment Advisory Commission (MedPAC) also stands out. In the executive branch, ASPE, OMB, and the Treasury's Office of Tax Analysis have all achieved this effectively.

All these organizations and their researchers work in a very political environment but are not political in character. There is a very clear organizational culture that makes clear that they are analysts, not advocates in their particular policy areas.

There are five essential lessons that can be learned from these organizations:

1. Be relevant to the debate.
2. Timing is essential.
3. Build trust.
4. Maintain effective communication.
5. Avoid barriers to relevant research.

Be relevant to the debate. It is essential to supporting evidence-based policymaking that the data collection, model building, analysis, and other activities be focused on current pressing issues. It means answering the questions that we are being asked, not just the questions we already have data on or those we think will be intellectually engaging or get us tenure.

A very good example of doing this well can be found on the ASPE Web site. After the passage of a very contentious welfare reform package in 1996, ASPE developed a research portfolio to track the implementation of reforms and evaluate the effects of the legislative changes. The organization's leaders knew that within five years, the legislation would be up for reauthorization. Congress often uses the reauthorization process for new programs that they will reconsider a few years after implementation, either to consider midcourse corrections in the program design or to reexamine the budget. ASPE went through a strategic process, trying to anticipate the ten or twelve questions most likely to be raised by policy makers when they reopened the bill in five years. How much did the rolls change, and who was affected? What kind of jobs did ex-recipients get? Did they receive health insurance through their jobs? What happened

during the next downturn in the economy—did they go back on the rolls or did they have unemployment insurance? ASPE then funded the research to be sure to answer those questions by the time welfare reform was up for reauthorization five years later.

Timing is essential. The research world tends to have its own notion of time. The policy/political world almost always runs on a very different calendar. For example, in 2000, Congress was deliberating the Beneficiary Improvement and Protection Act of 2000 (BIPA). A draft provision would have added a number of new preventive benefits to the Medicare program. The committee staff searched the literature for any indication of which preventive benefits would produce the most effective results at the least cost to the taxpayers. The literature was inconclusive, so the committee members used their best judgment and chose among the various preventive benefits that they were being lobbied to support. A few weeks after BIPA was passed, an Institute of Medicine (IOM) report was published that rigorously and elegantly set down categories of Medicare preventive benefits (IOM 2000). It provided evidence and cost estimates for selected services. The trade-offs between clinical improvements and the costs of those improvements were well communicated and documented. In other words, the IOM had produced just what the committee had needed to design a much better policy, but it had done so just a few weeks too late. A frustrated committee staffer called the IOM and was told that the report had still been in draft at the time of the congressional deliberations. That lack of keeping up with the current debate and/or procedural inflexibility meant that Medicare beneficiaries got less than optimal new preventive benefits, and the IOM missed a significant opportunity to have its report influence policy.

Timing is also a matter of logistics and strategy, requiring attention to the issues that will be critical in the future and taking into account the appropriate lead time for the type of research that is needed. There are three levels of consideration:

1. *Data collection/surveys:* Major data collections need a longer time horizon, probably at least three to four years. Linking to administrative data to build the appropriate analysis file may take longer. A major data collection requires more time but less specificity. It is necessary to focus on areas with a high probability of future debate, perhaps by following the congressional reauthorization process. As with the example of the ASPE welfare reform research, Congress effectively ensured that the debate would be revisited after five years.
2. *Model building:* Model building often requires a more moderate time horizon, perhaps twelve to eighteen months, but model building to inform policymaking is also a more focused effort. Examples of such projects include estimating the premium effects of benefit design changes under healthcare reform proposals or the effects of new funding mechanisms on the Social Security Trust Fund.

3. *Specific pieces of research:* These very specific pieces of analysis require the fastest turnaround, a few months or sometimes a few days. They help policy makers evaluate specific provisions of proposed policy changes. An example here would be the type of analysis produced by MedPAC to accompany a recommendation to Congress for changes in Medicare payment policy.

Build trust. Trust has two key components in the relationship between the analyst/researcher and the political/policy decision maker. First, there must be trust that the analysts or researchers actually have the expertise that they claim to have. Do they really know what they are talking about, and can they hold their ground when challenged? The second component of trust is the absence of any hidden agendas underlying the “expert” opinion being presented.

Establishing expertise can be a bigger hurdle than expected. It is often particularly difficult for the researcher who has already established a distinguished career in academia. Measures of success in the policy and political worlds are different from those in academia. A long list of publications is often nowhere near as impressive in the policy and political worlds as in academia. There is also the far too common mistake of the researcher assuming that the educational process is a one-way street and failing to recognize the expertise of the policy maker. Nothing ends a meeting faster than an overly professorial style that makes policy makers feel as if they are eighteen-year-old freshmen being lectured to. Condescension, intentional or not, does not build trust.

The second form of trust is trust that there exists no hidden agenda. It is often all right to have a widely known agenda, but the perception that the policy maker is being approached under false pretenses will quickly corrode any trust in the message. The problem often occurs when the researcher blurs the lines between analyst and advocate. The most common form of this mistake is made when policy makers or staff members are invited to a meeting to present “new research” on a particular topic. After the meeting begins, it quickly becomes clear that the researcher is not just presenting data and results and taking questions on the research but has already decided that one policy outcome is preferred over another and is there to lobby for a preferred option.

A strategy to avoid both of these problems is to use third parties, notably those analytic support agencies that policy makers already rely on, such as the CBO, the CRS, the OMB, and ASPE. These agencies are staffed by experts with similar training and backgrounds as the staff of the statistical agencies and many outside researchers. They may not be well published, but publication is not typically the barometer of either expertise or success in these agencies. These are people who will understand the research and can judge how it will apply to the ongoing policy debates. If they can be convinced of the contribution of the data and the value of the research, that research has a much higher likelihood of actually informing the policy debate. These trusted intermediaries can be used to carry messages from academia into a policy debate. Typically, involvement in such a process does not generate public recognition, but the research is much more likely to be used to inform policy.

Maintain effective communication. In the heat of a policy debate, too often less rigorous research well communicated is more influential than more rigorous research poorly communicated. Inherent in the way our democracy is structured is the reality that many voices will be heard, not just a few “experts” on a particular issue. It is also the reality in policy decision making that traditional methods such as publication in academic journals are not very effective or influential in the policy process.

Effective communication in the policy world requires a delicate balance. It requires writing clearly so an intelligent but nontechnical audience can grasp the essential points of the research quickly and effectively. At the same time, communication cannot be patronizing. Good examples of how to communicate research to an audience of policy makers can be found by examining the communication strategies of the congressional and executive branch analytic support agencies. For example, when I was at CRS, we would produce three different products for a particular piece of research. First, we would produce a traditional research paper of twenty to thirty pages containing the details of our estimates and modeling. The target audience for this product was other analysts deeply involved in the issue, such as committee staff with direct responsibility for the issue as well as the CBO, GAO, and OMB. Second, CRS produced a shorter version of the report—perhaps six pages—with much less detail on the modeling and production of the estimates. The target audience for this short report was other committee staff and personal staff. Third, CRS produced a two-page brief, featuring perhaps five bulleted points on the main “take-aways” of the analysis as well as two essential graphs, a report that fit on the front and back of a single sheet of paper. The target audience was a senator or representative on the way to the floor to vote or address a group where the issue was likely to come up. All three products were heavily reviewed not only for quality and accuracy but for political balance and tone (no talking down to the audience).

Avoid barriers to relevant research. While the previous four essential lessons hold for the broader research community as well as for the statistical system, the fifth pertains specifically to the latter. For many federal statistical agencies, there is the danger of losing sight of the real audience—the real client—for their work. It is important to keep in mind that academics are colleagues, not clients. Decision makers are the clients. Annual budgets and appropriations are determined within the executive departments and congressional committees, not at research conferences. Most senior researchers in federal statistical agencies are products of university graduate programs at the PhD or master’s degree level. They were trained in a system that steers the best talent into academics and the second best into government or consulting. There is a natural tendency still to see the academic world as the main focus of attention and research guidance. While academics can make a substantial and important contribution as colleagues, they are not the decision makers who will decide if scarce resources will be invested in the statistical agency or be funneled to a competing priority. I witnessed this as a member of the Secretary’s Budget Council at HHS under both Secretary

Tommy Thompson and Secretary Mike Leavitt. Funding decisions about HHS statistical agencies had nothing to do with the esteem these agencies were held in by the major research universities and had everything to do with the contribution the statistical agencies could make to the short list of policy priorities confronting the secretary, such as implementing a Medicare drug benefit and the fight against avian flu.

Another serious barrier to relevant research is the danger of isolation of statistical agencies organizationally. The federal government has two models for statistical agencies, which for discussion purposes will be labeled as the Commerce/Labor model and the HHS model.

The two best examples of the Commerce/Labor model are the Census Bureau and the Bureau of Labor Statistics (BLS). This model concentrates statistical talent and capabilities within one statistical agency. The main strength of this model is the concentration of talent and expertise in one place. Another strength is a more efficient investment of resources because of their centralized nature. The department is not recruiting multiple teams of survey statisticians or questionnaire designers. This same concentration of statistical expertise is also the downside of this model. Under this design, the statistical agency is effectively segregated from the policy and program agencies within the department.

The HHS model has the opposite orientation. Statistical talent and functionality is spread throughout the different agencies of the department. The National Center for Health Statistics (NCHS) is the closest thing that HHS has to a single-purpose statistical agency, but it is housed within the CDC and is almost exclusively focused on health with no real human services portfolio. The Agency for Healthcare Research and Quality (AHRQ) has its own statistical capabilities and produces a number of major surveys, including the Medical Expenditures Panel Survey (MEPS). The Centers for Medicare and Medicaid Services has its own statistical/survey team that has complete responsibility and control over the MCBS.

The key strength of the HHS model is a close working relationship between the statistical team and the policy and program teams. If the administrator of CMS, who has responsibility for both Medicare policy and the actual running of the Medicare program, has concerns about access to certain types of services for low-income Medicare beneficiaries, he or she calls in the MCBS survey team and has the appropriate changes to the questionnaire and sample made to the next round of the survey, not needing the secretary's approval or the cooperation of the head of a statistical agency.

The flaws in this model are the redundancy of resources involved in not instituting one centralized team of statistical and survey experts and the lack of a coordinated statistical system. The first flaw may be unavoidable under such a decentralized design. There have been a number of attempts to address the second flaw through the development of the HHS Data Council and the HHS Research Coordination Council. Both councils have had some success when the political leadership of the department has made coordination a priority.

Conclusion

There is a pressing need to recognize the vulnerability of Federal statistical agencies if they stand on the sidelines and fail to make a more significant contribution to the pressing problems of our time. Not being an essential partner with policy makers leaves these agencies vulnerable to significant under-funding over time. There is clearly a way out of this problem. As statistical agencies succeed in becoming more essential partners in providing policy makers with credible, timely, and consistent data, federal and state health data collection will improve. In addition, there is the very significant satisfaction that comes from knowing that because of your work, you helped resolve some of the most important issues confronting the country today.

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