

## **CHEPA's Founding**

### **The Origins and Founding of the Centre for Health Economics and Policy Analysis (CHEPA) 1976-1990**

By Greg Stoddart and Jonathan Lomas CHEPA co-founders

#### **The Roots of Health Economics and Health Policy Analysis at McMaster 1976-1982**

The roots of CHEPA extend back to 1976 when the Department of Clinical Epidemiology and Biostatistics recruited Greg Stoddart to be the health economist in the then still very young department known as CE&B, which at the time had only a dozen members. Greg had just finished his doctorate in Economics at the University of British Columbia under the supervision of Robert Evans, and had been teaching for a year in the Department of Health Care and Epidemiology and the Department of Economics at UBC.

In retrospect, it is probably fair to say that no one knew quite what to expect of this recruitment. CE&B had been created only eight years earlier as part of McMaster's new Faculty of Health Sciences and medical school, and consisted almost entirely of clinical epidemiologists (physicians with active research programs on patient care) and biostatisticians. Their main focus was conducting randomized controlled trials of medical interventions. The Department was just beginning to enter into other areas of health services research, at that time called "health care evaluation", and Greg's recruitment was one of the first few in this spirit. There was certainly an expectation that an economist would bring expertise to add cost analysis to clinical trials, but beyond that health economics in CE&B and the Faculty of Health Sciences was undefined. On his part, Greg realized that developing and applying methods for economic evaluation of specific health care services alongside clinical trials would be an important part of his job, but saw health economics as also being broader, encompassing the economic analysis of entire health care systems and their components, including the behaviour of both providers and patients.

Although the CE&B environment was exciting, innovative and highly collegial, and Greg's departmental colleagues were very supportive, health economics as a field was a relatively lonely landscape in the 1970's, with only a handful of economists across Canada and not many specialists in the area internationally. If an institution did have a health economist, it usually had just one, and almost all were in departments of economics rather than health sciences faculties.

At McMaster, Greg was fortunate to connect with George Torrance, an operations researcher who had come from industry several years earlier to join the Faculty of Business. Among his research interests, George was developing what he called a health status index model for the measurement of health-related quality of life, which he and his colleagues subsequently refined and expanded over the decades into the now internationally-recognized Health Utilities Index.

Working together in the late 1970's, Greg and George developed methods for the economic evaluation (cost-effectiveness, cost-benefit and cost-utility analysis) of health care services and programmes, applied those methods in collaborative research projects with clinical colleagues, and created a graduate course in economic evaluation methods in the Design, Measurement and Evaluation Programme (now the Health Research Methodology Programme) in the Faculty of Health Sciences. From 1980-1982 they were joined by Amiram Gafni, an economist from Haifa University in Israel with a background in decision sciences, who held a visitor appointment in CE&B and collaborated with several departmental colleagues. Amiram would later return to McMaster permanently to be part of the official founding of CHEPA.

While working with George Torrance on economic evaluation methods, Greg accepted an associate membership in the Department of Economics at McMaster, where he began a research program and developed a graduate course dealing with broader health care system issues such as health care financing, alternative delivery modalities, and health human resources (called 'health manpower' in those days). These two health economics sub-fields of economic evaluation of health services and

economic analysis of health care systems – along with the field of health policy analysis yet to come – were the basic pillars on which CHEPA was built.

### **Developing the Concept and Bringing Together Interested Faculty 1982-1986**

By the early 1980s it was being recognized that research on the effectiveness and efficiency of health services by itself wasn't sufficient to change clinical or administrative policies. Furthermore, much more than economics was necessary to fully understand and analyze the complexity of health care systems and the behaviour of their actors – providers, patients, administrators and policy-makers both inside and outside government. Among other things, the 'extra-billing' debate – whether governments should continue to allow physicians to charge patients an additional fee beyond that paid by the provincial health insurance plan – had drawn attention to the many interesting aspects of healthcare outside straightforward medical necessity. Payment systems, physicians' incomes, alternative delivery arrangements (e.g. community health centres or prepaid group practices), the role of allied providers (e.g. nurse practitioners, midwives), and the appropriate balance between curative and preventive services were just a few of the topics addressed by a variety of reports and commissions of the time. The best known of these was perhaps Justice Emmett Hall's second federal commission on Medicare: Canada's National-Provincial Health Program for the 1980's. Greg, along with departmental colleague Christel Woodward, conducted research on aspects of extra-billing for this commission. Its report became the catalyst for the subsequent federal Canada Health Act, passed in 1984. In parallel with these federal and provincial initiatives, CE&B's Regional Service Programme, which offered free methodologic consultation for local researchers, was increasingly involving members of the Department in applied health services research that went beyond clinical trials and economics.

In 1982 Greg obtained the support of the Chair of CE&B, Peter Tugwell, and the Vice-President of the Faculty of Health Sciences, Fraser Mustard, to try to develop a health policy area within CE&B. This health policy analysis focus came with Jonathan Lomas, who had recently finished a political science internship in the Ontario Legislature and taken some background health economics courses to add to his initial training in psychology. After two years of independent health policy consulting, including work for the aforementioned Hall Commission in collaboration with Bob Evans and for Fraser Mustard's Council of Ontario Universities task force on healthcare with Greg Stoddart, he was ready to return to academic life with a focus on the kind of applied health policy questions confronting CE&B. Jonathan was recruited to join CE&B on a part-time (though that soon became full-time) basis as 'an experiment' to see what broadening CE&B's research and teaching in this new field might entail.

Although it seems hard to believe now, in those days the term "health policy analysis" was rarely if ever used, and certainly was not seen as an academic field. In fact, many in the world of health sciences were suspicious that the term was simply a cover for dabbling in politics. Therefore, at the suggestion of his supportive colleagues, Jonathan referred to his activities as being in the field of "health care evaluation", and things proceeded smoothly. Within a short time, Jonathan became the chair of CE&B's Ministry of Health-funded Regional Service Programme, coordinating requests for methodologic assistance from local researchers with the expanding number of faculty and skills in the department.

Meanwhile, at a conference in England, Greg had met Michael Drummond, an economist contemporary from the University of York with very similar interests in developing economic evaluation methods for appraisal of health care procedures and programs. When Greg went away on sabbatical for 1983, he arranged for Michael to come to McMaster and CE&B for the year to replace him. Two other economists who were to be instrumental in the founding of CHEPA arrived in CE&B that year. David Feeny, a colleague of Greg's in the Economics Department at McMaster, with a background in economic history and development economics and a strong interest in technical and institutional change, became interested in the opportunities in CE&B for evaluation of

the diffusion of medical technologies. He soon transferred to a joint faculty appointment between Economics and CE&B, in which he began several collaborative research projects with faculty members in Health Sciences as well as George Torrance. And Roberta Labelle, a graduate of McMaster's M.A. Programme in Economics joined the research staff of CE&B, working on health economics projects funded from project-specific grants that Greg and others had obtained.

Jonathan and Mike created a focal point for like-minded faculty and graduate students interested in health economics and policy analysis in the form of a monthly discussion group which Jonathan creatively titled "Health Polinomics", thereby moving away from the label of "health care evaluation" without explicitly using the term "health policy"! Polinomics is one of CHEPA's oldest activities, still running today and offering a lively monthly opportunity for members to debate and help shape each other's draft research manuscripts.

Before Greg's sabbatical, Jonathan and he had discussed a vision for someday building a fully-funded, multidisciplinary centre with research, teaching and service activities that provided timely and relevant evidence to inform policy-making at all levels of the health care system. In Greg's absence, and building on his contacts at the University of Toronto, Jonathan began to develop a joint McMaster-Toronto proposal to the Ontario Ministry of Health for a Health Care Evaluation Unit that would combine McMaster's strength in health economics with Toronto's strength in health care evaluation. A key feature of the proposal called for the Ministry of Health to have a voice in setting the research agenda of the unit and its faculty in order to increase policy relevance, although the unit was to be at arm's length from the Ministry. The concept that a government body might influence 'academic' research was, however, too much for University of Toronto officials and the proposal died.

When Greg returned from sabbatical in 1984, he and Jonathan began to plan in earnest for a solely McMaster enterprise. Over the next two years a small but committed core group of faculty coalesced, including Greg, Jonathan, George Torrance, David Feeny and Roberta Labelle, who was promoted to faculty and appointed as the coordinator of the health economics program for the Rockefeller Foundation sponsored International Clinical Epidemiology Network (INCLIN) in which CE&B played a major role. In addition, several CE&B colleagues, most notably Christel Woodward, a health services researcher with a psychology and survey research methods background, were very supportive of the planning activities although not able to commit to full-time membership in the group.

One of the first items of business for the group was to give itself an identity, and the name "Centre for Health Economics and Policy Analysis" was proposed. However, Greg and Jonathan were quickly reminded by McMaster officials that there was a (lengthy) university document specifying the criteria for the use of the designations "Centre" or "Institute" and that our fledgling group fell short on several counts. Undaunted, we discovered that the document did not cover the word "Group" and so the Health Economics and Policy Analysis Group in CE&B was 'officially' born!

The group quickly agreed on several principles.

1. We would manage our development agenda, activities and decision-making by consensus, therefore the leader of the group would be known as the "coordinator" rather than "director".
2. We would try to share the development work to be done in a reasonably equal way so that the coordinator (Greg) didn't have to do everything or be everywhere.
3. We recognized that each member would be better off as a participant in a strong group than as an isolated individual, so all were willing to contribute financial resources as well as time to developing the centre. To this end, during the development period, members of the group agreed to donate any income they received from consulting activities to a fund, which was used for planning activities, promoting the group, bringing in visitors and advisors, and some initial recruiting efforts. The early development of CHEPA was therefore self-financed,

something which spoke well for the group when it did later apply for grant funding.

4. We envisioned the eventual centre to be focused primarily on research, with a service component. Faculty members' educational activities would still be determined through discussion with the chairs of their home departments, although it was hoped that with increasing numbers of health economists a graduate field of specialization in Health Economics might be able to be added to the fields offered by the Economics Department.
5. The preferred funding model for an eventual centre would be a tripartite one, with approximately one-third coming from the university, one-third from government and one-third to be raised by the centre itself from 'third sector' organizations such as foundations, NGOs, and corporations (although contributions from the pharmaceutical industry were to be strictly limited). This model was seen to provide balance and security while making sure that the centre would continue to have to 'sell' itself through a steady output of high quality, policy-relevant research.

During this time the Health Economics and Policy Analysis Group held monthly administrative meetings on the first Wednesday of each month directly following the early afternoon Health Polinomics seminar. With five strong personalities present, the meetings were always interesting and boisterous as we explored development opportunities and debated strategy. But both within and outside meetings we remembered to have fun. This became our sixth principle! We knew that we were attempting to build something innovative and unique, and the sense of excitement was tangible.

Although the group had many supporters on campus and in the provincial and federal ministries of health, notably Peter Tugwell at McMaster and Mary Catherine Lindberg at the Ontario Ministry of Health, fundraising attempts moved slowly. The University had no new resources to offer, nor did the Faculty of Health Sciences, and the federal government was leery of funding a project in one region of the country without dispensing equivalent funding to other regions. (Nevertheless the federal Department of Health and Welfare was supportive of the group over these years, and beyond, and engaged CHEPA and its faculty with periodic awards to research topics of pressing policy relevance such as privatization, the legality of the Canada Health Act, definitions of medical necessity, health human resource planning, and the role of incentives.) Contacts with foundations, while useful in determining what types of academic activities they viewed as fundable, did not produce any major grant opportunities. However, the chair of CE&B, Peter Tugwell, did find funding to enable the recruitment of Amiram Gafni, who rejoined the group in 1986 from Tel Aviv University.

By 1986 the group had the outline of a reasonably complete proposal for a centre that included a variety of research and service activities, a management plan and plans for further development including at least four additional faculty members. While maintaining a focus on the Ontario Ministry of Health as the target government funder through Jonathan's ongoing efforts, the group continued to work through the administrative process on campus for the designation of "Centre". Greg had several encouraging meetings with McMaster President Alvin Lee, who gave his personal support to the initiative, but could not offer new resources.

### **CHEPA Becomes a Reality 1986-1990**

Fortunately, a window of opportunity for a funding request to the Ontario Ministry of Health arose during 1986. A new Liberal government was in office in Ontario and health care issues were high on its agenda. In the wake of the ban on extra-billing, utilization of medical services had increased significantly and physician fee negotiations had become fraught with conflict. The province was also looking to contain hospital budgets that were becoming an ever-increasing share of provincial expenditures. All this was occurring against a backdrop of emerging concern that not all the services being provided were truly medically necessary – the 'appropriateness' debate. Ministry officials had found research and publications from the members of the McMaster group helpful and the Minister

of Health, Murray Elston, was known to Greg from personal contact during their undergraduate days at the University of Western Ontario. A meeting with the Minister and his Executive Assistant, John Ronson, was arranged and Jonathan and Greg had an opportunity to describe the vision for a centre that would provide independent, high-quality, policy-relevant research in a timely manner. The meeting was very fruitful, with both Murray Elston and John Ronson seeing the potential for evidence-based policy, which according to them was almost unheard of in government. Greg and Jonathan were instructed to prepare a formal proposal under the guidance of John.

Drawing on preparatory work already done, and with more discussion among the group at McMaster and strong support from John Ronson, a proposal was drafted that was accepted by the Ministry. In February 1987 the Ministry announced the awarding of a major, five-year, \$1,375,000 development grant for a Centre for Health Economics and Policy Analysis at McMaster University. CHEPA had become a reality!

The Centre's stated goals were:

- to develop and apply methods to evaluate the costs, risks, benefits and utility of specific health and health care services,
- to design and evaluate different systems of organization and financing for the delivery of health and health care services,
- to study the behaviour of consumers, producers, and other decision-makers in the health and health care systems, and
- to create an effective information exchange among academic researchers, health professionals, and government policymakers

Under the terms of the award, CHEPA would establish a program of activities that included:

- early publication of faculty members' research in a Working Paper Series, to be made widely available;
- holding 1-2 full-day Policy Workshops per year on issues of high policy relevance as deemed by the Centre, with a small group (less than 20) of experts, background material prepared and distributed in advance, focused discussion questions, and a summary report;
- conducting 2-3 half-day Policy Seminars per year at the request of the Ministry on subjects it had an interest in discussing with CHEPA faculty and/or other appropriate individuals that the Centre would bring together;
- holding an annual Health Policy Conference on a topic that the Centre deemed to be a subject of emerging, but not yet urgent importance. The Conference was to be the highlight of the Centre's research and research transfer calendar, international in scope and attendance, with an audience of 200-300 participants drawn from researchers, policymakers, health practitioners, administrators and other interested parties;
- creation of a long-term collaborative research program with the Ministry on a very small number of mutually-agreed topics;
- assisting McMaster academic Departments to further develop educational offerings, including an Economics PhD field in Health Economics, a graduate course in Health Policy Analysis in the DME Programme, and training and self-directed learning opportunities in the Faculty of Health Sciences for health professionals (both faculty and students) in the fields of health economics and health policy analysis;
- 4-5 new faculty recruitments;
- development and funding of opportunities for fellowships, visitors, and faculty/staff exchanges; and
- creation of an Associates program for other interested faculty both inside and outside McMaster to participate in the Centre's work and activities.

The tripartite funding model was accepted and determined the amount of both the Ministry's award and the annual operating budget of the Centre. The University was given imputed credit for the salaries of faculty who had committed to the Centre (thereby satisfying the University's requirement for no new resources), which amounted to approximately \$300,000 per year. The Ministry matched this, allowing for modest annual increases, and the Centre committed to raising an equivalent amount from non-University, non-Ministry sources. There was an expectation that the grant would continue, subject to satisfactory progress by the Centre, and to this end it was seen as a rolling grant, with continuation/renewal determined at the three-year mark of each five-year term upon completion of an external review.

The Centre was to be managed by a Coordinator (Greg) and Associate Coordinator (Jonathan), with responsibility for specific programs and activities decentralized to individual faculty and staff, thereby continuing the cooperative spirit and tradition of the group. A Steering Committee, consisting of University, Ministry and CHEPA representatives, was established to oversee the Centre's development, with the longer term plan for this Committee to devolve into an Advisory Council with more broadly based membership and small Management Committees as necessary to oversee specific activities such as the collaborative research program with the Ministry.

The Centre was to be staffed by a Centre Secretary (the term 'administrative assistant' was years away), a junior Research Assistant, and two senior Research Coordinators, one specializing in economic evaluation and one in health policy. We were very fortunate in assembling an excellent staff from the very beginning. Greg's secretary, Nancy Bishop, assumed the additional role of Centre Secretary, while Diane Rogers was recruited from CE&B as the junior Research Assistant, which in reality meant that she did whatever was needed, including organizing all Centre events as well as research assistance, preparation of background documents for meetings, and staffing committees! After a rather hectic first year, Lynda Marsh was recruited from CE&B and became our conference and events coordinator extraordinaire, often drawing rave reviews from participants. We were very fortunate to recruit Cathy Fooks, (whom Greg Stoddart and Roberta Labelle had worked with on a Select Committee on Health Care Financing) from the Ontario Legislative Library research staff as our Senior Research Coordinator for Health Policy. We were equally fortunate to recruit Ron Wall, a recent graduate of McMaster's MBA Programme in Health Administration, as our Senior Research Coordinator in Economic Evaluation.

Although Ministry funding began to flow in the spring of 1987, and University approval to use the designation "Centre" had been granted, the faculty and staff of CHEPA decided to operate for a year before announcing an official opening. With much development work necessary to get the Centre underway, the faculty wanted to delay the official opening until there were some completed products to show and distribute at the event. There was a strong feeling among faculty and staff that upon announcing our opening we did not want to be telling people what we were going to do, rather we wanted to show them what we had done and were doing already.

Therefore the rest of 1987 and early 1988 were devoted to bringing most of the Centre's activities and programs on stream and doing active faculty and staff recruitment to fill the newly funded slots. It was a very busy year considering that faculty members still had their own research programs to move forward and their departmental teaching obligations to fulfill. CHEPA's numbers increased, however, as Jerry Hurley joined CE&B, CHEPA and the Department of Economics in early 1988 upon graduation from the Economics PhD Program in Health Economics at the University of Wisconsin, and CE&B colleague Christel Woodward became CHEPA's first Associate Member. Tom Rice, a health economist from the Department of Health Policy and Administration at the University of North Carolina became CHEPA's first Visiting Researcher.

The culmination of all this came on May 26, 1988 in a ceremony at McMaster's Health Sciences Centre attended by 200 guests when the Centre for Health Economics and Policy Analysis was officially opened by the Honourable Murray Elston, who by then had become the Chairman of Management Board of Cabinet of the Province of Ontario. Also in attendance were Dr. Alvin A. Lee,

President of McMaster University, and Dr. Stuart MacLeod, Dean of Health Sciences at McMaster. The ceremony included an official signing of the University-Ministry agreement, a reception, and a dinner on campus featuring as guest speaker Prof. Ted Marmor of Yale University, a leading American health policy analyst, whose views on Canadian versus American health care were simultaneously insightful, complimentary to Canada, and highly entertaining.

The following day, CHEPA held its first Annual Health Policy Conference entitled “Reviewing Utilization: The Methods and Promise of Utilization Analysis for the Canadian Health Care System”. Contributors to the conference were drawn from academic, government and health care sectors across Canada and the United States. The mixture of researchers, administrators, policymakers and practitioners made the conference an unqualified success and established CHEPA’s Annual Health Policy Conference program as a unique, path-breaking event in North American health policy circles.

With the numerous health services research centres, health policy institutes, health economics groups and evidence-brokering networks that exist today, it is difficult to comprehend the pioneering role of CHEPA. The Centre for Health Economics and Policy Analysis at McMaster was the first of its kind in Canada to combine all of these elements. An interdisciplinary health research group was simultaneously forming at the Université de Montréal – le Groupe de recherche interdisciplinaire en santé (GRIS) – and the seeds for one were in place at the University of British Columbia that was to become the Centre for Health Services and Policy Research (CHSPR) in 1990. However, the combination of original research contributions by a strong core of 8-10 faculty, partnership in policy-relevant collaborative research with government, a program of seminars, workshops and major conferences all dedicated to bringing research to bear on policy through interactions between academics, health professionals and policymakers, and significant development of graduate training opportunities was unique to CHEPA. Furthermore, although not often highlighted, CHEPA faculty and staff freely provided approximately sixty short or medium-term consultations yearly to a wide range of local, national and international health care organizations, associations and commissions.

The years 1988-1990 saw further faculty growth which broadened the young Centre’s interdisciplinary base. Health economist Stephen Birch, trained at the University of York in the UK, joined CHEPA from the Department of Community Medicine at the University of Sheffield, UK. Cathy Charles, a medical sociologist, came to CHEPA from the Alberta Ministry of Health to strengthen the health policy area. Closer to home, Brian Hutchison, a family physician and member of McMaster’s Department of Family Medicine, became an Internal Associate in order to dedicate more time to research in primary care, and John Eyles from the Department of Geography at McMaster also became an Internal Associate, initially collaborating on work on needs-based funding models. CHEPA also established an External Associates program to solidify relationships with research colleagues beyond McMaster.

A seminal event in this period was CHEPA’s organization of an International Conference on Quality Assurance and Effectiveness in Health Care in November 1989 on behalf of the Government of Ontario. This was the third of three national symposia called for by the First Ministers to address challenges facing Canada’s health care system. Held in Toronto, the event attracted 500 participants from around the world and featured more than 30 international speakers known for their leadership in the development of systematic programs for outcome review and assessment of clinical effectiveness. Ontario Premier David Peterson opened the conference and Minister of Health Elinor Caplan announced new quality assurance initiatives for Ontario during an evening address at the conference dinner, some based on prior work done by CHEPA faculty and colleagues. There was an interesting backstory attached to the origins of this conference. About a year before, the then Ontario Deputy Minister of Health, Martin Barkin, made a public announcement that Ontario would have CHEPA run this conference for the province without ever consulting us. Needless to say, we were concerned by this breach of our collaborative agreement. We were also insufficiently equipped to mount a conference of this magnitude in addition

to our regular events program. Fortunately, the story has a happy ending. At Jonathan's insistence the Ministry provided a very generous budget for the event in addition to our regular funding. The success of the conference further built CHEPA's international profile, and the extra funding allowed the Centre to expand both staff and programs.

Throughout the developmental years and even extending through the founding of the Centre, finding appropriate and sufficient space for "Chepoids", as Centre faculty and staff often referred to themselves, was a recurring problem. Most of the founding faculty members were also members of CE&B, whose historical policy had been to spread faculty offices throughout the Health Sciences Centre to foster collaboration with and provide support for clinical colleagues. Therefore CHEPA had no single physical location. This changed in the fall of 1990 when Greg and Jonathan, with the support of CE&B, were able to negotiate space on the third floor of the Health Sciences Centre. After extensive renovations the Centre finally had a home, including faculty and staff offices, a reception area, a resource library and windows!

By the end of 1990, CHEPA was solidly established, with almost all of its initial commitments from the 1986-87 planning documents met and a further five years of infrastructure funding approved by the Ministry of Health. Throughout the founding years, Greg had taken the lead administrative role as Coordinator and overseen the development of the health economics side of the Centre, while Jonathan as Associate Coordinator had overseen the development of the health policy side and managed the Centre's relationship with the Ministry. At the end of 1990, after a well-earned sabbatical, Jonathan assumed the Coordinator's role to take CHEPA forward.

**- Greg Stoddart and Jonathan Lomas, December 2012, with help from the CHEPA archives**