

## **OMB/CBO Budget Scoring Guidance May Create an Important New Incentive for Development and Expansion of Evidence-Based Programs**

- I. OMB and CBO have recently signaled their intent, in “scoring” the budgetary cost of a federal program, to credit cost savings the program generates that have been demonstrated in well-conducted randomized experiments.**

This would include, for example, rigorously-demonstrated savings in unemployment insurance or food stamps from an effective employment/training program, or savings in Medicaid from an effective teen pregnancy prevention program.

### **Specifically:**

- A. OMB’s guidance to the federal agencies under the Statutory Pay-As-You-Go Act of 2010 suggests OMB will credit cost savings established in “rigorous experimental research.”** The guidance wording is shown in the attached letter from OMB Director Lew.
- B. CBO has stated publicly – for the first time – that it “gives greater weight to demonstrations and experiments that use random assignment ...” when scoring the cost of legislation** (including, per CBO’s usual policy, any budgetary savings the legislation generates). The CBO statement, in a presentation posted on the CBO Director’s web page, is attached.
- II. Working with former CBO Director Robert Reischauer and others, we encouraged CBO and OMB to make these clarifications. The rationale:**
- A. Given budget scoring’s central role in the federal budgetary and legislative process, the new CBO/OMB clarifications may create an important new incentive and opportunity for –**
- 1. The enactment of legislation to expand implementation of programs rigorously demonstrated to produce partly-offsetting budget savings.** The OMB/CBO statements clarify that such programs would be scored as costing less than comparable programs without such evidence of savings, giving them an important advantage in obtaining Congressional funding – especially in the current tight budgetary climate.
  - 2. Federal agencies and others to sponsor rigorous research/evaluation aimed at identifying additional programs that produce partly-offsetting savings.** Specifically, federal agencies, philanthropic foundations, program providers, and researchers may have an important new incentive to sponsor and conduct rigorous experimental research that measures budgetary savings as one of the key program outcomes, so as to obtain the budget-scoring advantage noted above.
- B. For at least a few evidence-based programs, the budget-scoring advantage could be sizable. As illustrative examples:**
- Transitional Care Model.** Older adults are discharged from U.S. hospitals 13 million times each year; more than one-third are rehospitalized within 90 days, generating major costs to Medicare. The Transitional Care Model is a nurse-led hospital discharge and home follow-up program for chronically-ill older adults, designed to prevent health problems and rehospitalizations. This program has been found highly effective in two well-conducted

randomized controlled trials, carried out in real-world community settings. In these studies, the program was found to produce a 30-50% reduction in rehospitalizations, and net savings in health care expenditures of about \$4,000 per patient, within 5-12 months after patient discharge – without any adverse effects on patient health or quality of life. (See evidence summary/citations [here](#).)

Although not specifically measured, a high proportion of these savings likely accrued to Medicare and Medicaid, and so presumably could be scored by CBO/OMB as cost savings.

- **Critical Time Intervention.** This is a case management program to prevent recurrent homelessness in people with severe mental illness. This program has been found highly effective in two well-conducted randomized controlled trials, carried out in real-world community settings. In these trials, the program reduced the likelihood of homelessness by more than 60%, 18 months after random assignment. One of the trials also measured the impact on government/community expenditures, including supported housing, health care, shelter, and other services. It found that the program reduced such expenditures by about \$5,200 per person over the 18 months, offsetting most of the program's initial cost of \$6,100. (See evidence summary/citations [here](#).)

Although not specifically measured, a substantial portion of the \$5,200 in savings likely accrues to the federal government (e.g., in reduced Medicaid expenditures), and so presumably could be scored by CBO/OMB as cost savings.

- **Nurse-Family Partnership.** This is a nurse home visitation program for low-income, first-time mothers. The program has been shown in three well-conducted randomized controlled trials to produce 20-50% reductions in child abuse/neglect and injuries, 10-20% reductions in mothers' subsequent births during their late teens and early twenties, and sizable improvements in cognitive and educational outcomes for children of mothers with low mental health/confidence/intelligence. In addition to these benefits, newly-published reports from the ongoing Memphis trial show, 12 years after the women gave birth, a \$1,113 reduction in annual government spending per woman on welfare, Food Stamps, and Medicaid during the 12 years. As a result, the total discounted government savings over the 12 years (\$13,350) more than offset the program's cost (\$12,493). (See evidence summary/citations [here](#).)

Much of this government savings was in entitlement programs – AFDC, Food Stamps, and Medicaid – and so presumably could be scored by CBO/OMB as cost savings.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

September 27, 2011

Jon Baron  
President, Coalition for Evidence-Based Policy  
1725 I Street, N.W. Suite 300  
Washington, DC 20006

Dear Mr. Baron:

Thank you for your letter regarding the use of rigorous experimental research findings in budget scoring. I appreciate hearing your views on this topic and agree that experimental research findings can, and in some cases should, be used in scoring the cost of legislation, in particular legislation affecting entitlement programs.

As you suggested in your letter, OMB has provided special guidance to agencies on considering experimental research findings when developing cost estimates. Specifically, OMB has issued guidance to agencies for scoring legislation under the Statutory Pay-As-You-Go Act of 2010. This guidance states that agencies must score the effects of program legislation on other programs if the programs are linked by statute. (For example, effects on Medicaid spending that are due to statutory linkages to changes in eligibility for Supplemental Security Income benefits must be scored.) In addition, even when programs are not linked by statute, agencies may score effects on other programs if those effects are significant and well documented, which includes rigorous experimental research findings. Specifically, the guidance states:

Under certain circumstances, estimates may also include effects in programs not linked by statute where such effects are significant and well documented. For example, such effects may be estimated where rigorous experimental research or past program experience has established a high probability that changes in eligibility or terms of one program will have significant effects on participation in another program.

I believe OMB's principles on the use of experimental research findings in legislative scoring are a meaningful step toward broader evidence-based policymaking. Thank you, again, for your letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jacob J. Lew  
Director



**Congressional Budget Office**

**Presentation at the Annual Fall Research Conference of the  
Association for Public Policy Analysis & Management**

# **CBO's Use of Evidence in Analysis of Budget and Economic Policies**

**November 3, 2011**

**Jeffrey R. Kling**

**Associate Director for Economic Analysis**



## What role do experiments and demonstrations play for CBO?

When available, CBO gives greater weight to demonstrations and experiments that:

- Use random assignment into different groups;
- Shed light on the mechanisms causing responses; and
- Address the difficulty of implementing new approaches.