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LETTER FROM THE EDITOR

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This issue of *Value & Outcomes Spotlight* focuses on behavioral economics in health policy and takes on the issue of rationality vs. irrationality as people make health care choices. Thorny questions about what kinds of individual behaviors are key drivers of poor health, how people can be steered toward better decisions regarding their health and health care, and how we can predict people's preferences about health care are tackled.

The first article examines individual behavior focusing on irrationality and how we might predict it. The observation that "while people may be irrational they are irrational in predictable ways" offers valuable insight into

how to help people improve their health by a number of means, including incentives. Many corporations have taken incentives to heart when trying to get employees to improve their health behaviors through offering cash rewards to those who successfully change behaviors that might not be heart healthy. According to the author, 80 percent of large employers use incentives to influence the health behaviors of their employees; the issue of how to design incentive programs is "a work in progress," but knowledge of biases, emotions, social contexts, and environment are important.

The second article reviews the ideas of psychologist Daniel Kahneman (co-recipient of the Nobel Prize in Economics in 2002) about the predictability of irrational choices and shows that this can be an important idea in health care. Regarding preference measurement, for example, the author notes that our inability to predict people's future preferences undermines our ability to measure them. The silver lining, though, is that deviations from rational choice can be systematic, which means that they can be predicted. The author also reflects on a statement by Murry Gell-Mann who once said: "Think how hard physics would be if particles could think." The nettlesome problem in economic analysis is that "our" particles can think.

Both articles suggest that while it is difficult to explain or predict people's health behaviors and decisions about health and health care, it is the role of the behavioral economist to try.

Shifting the behavior of patients towards healthier behaviors should be a prime focus. Doing this by taking advantage of peoples' "decision errors," mostly driven by emotions, is a good place to start. Making healthy behaviors easier, less expensive, or free of charge where possible, also has big pay offs. On the other hand, invoking the lessons of Kahneman, we need to understand how framing can make big differences in which decisions people make.

Tools such as incentivizing, framing, and predicting deviations from rational choice based on their systematic nature could all be employed to shift people toward healthier behaviors and provide costs savings to the health care system, all of which are consistent with ISPOR's vision and mission to use health economics and outcomes research in decision making to improve health. Perhaps this can form the basis for New Year's resolutions in the coming year.

As 2016 has come to a close, all of us here at *Value & Outcomes Spotlight* wish you a happy and prosperous 2017!

Sincerely,

David Thompson, PhD
Editor-in-Chief, *Value & Outcomes Spotlight*

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