

## Opinion

# Addressing Colorado's budget shortfall

By David Anderson

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Cutting \$600 million from the state budget would seem to require a series of stark choices between providing programs and services on the one hand, and saving taxpayer dollars on the other. Sometimes that is the choice.

But recent research findings suggest the availability of a third, more appealing option in some areas of policy — targeting funding on programs that are both effective and save money.

Over the past several years, rigorous evaluations of a wide range of government-funded programs and strategies have begun to build a body of scientifically valid evidence about "what works" and at what cost.

In some cases, the evidence shows we can have the best of both worlds, resulting in a more effective government at a lower cost. The following are a few illustrative examples.

From health policy - an electronic decision support tool for doctors, which uses clinical data from patients' insurance claims to identify potential errors in their care and then alerts their doctor via email, was found to be effective in two rigorous, randomized evaluations in large managed care settings.

Specifically, after one year of implementation, this low-cost system (\$1 per patient per month), was found to increase doctors' adherence to evidence-based medical practice; as well as reduce hospitalizations by 9% and health care costs by \$10-20 per patient per month. This suggests that the program could potentially save \$65-130 million annually in Colorado's Medicaid program alone.

From juvenile justice - a rigorous randomized evaluation of Multidimensional Treatment Foster Care — a program that places severely delinquent male youths with foster families trained in behavioral management — found that participating youths had 45% fewer violent arrests over a two-year follow-up period, compared to a control group.

The program produced these important effects while also costing 30-50% less than the standard group treatment that the control group youths received, suggesting the possibility of similar savings in Colorado were it implemented more widely here.

From welfare to work — a well-designed randomized evaluation of Riverside GAIN — a program designed to move welfare recipients quickly into the workforce primarily through short-term job search assistance — found that it improved participants' job earnings and employment rate by approximately 40% over five years and reduced their welfare receipt by 15%, compared to a control group that received usual community services.

The resulting higher tax revenues and lower welfare expenditures meant that the government saved almost \$3 for every \$1 it invested in the program over five years.

These are all examples of effective programs that have been found to produce immediate savings that can help reduce budget shortfalls right away.

Rigorous evaluations have also identified a few programs that require some up-front investment but are proven to produce large savings to taxpayers over time - by addressing particularly costly problems facing our society.

One such example is the Denver-based Nurse Family Partnership, a nurse home visitation program for women who are poor, mostly single, and pregnant with their first child.

This program has been shown in a well-designed randomized evaluation to, at the 15-year follow-up, reduce child abuse and neglect, as well as arrests and convictions of the women and their children by 40-70%, compared to a control group receiving typical community services.

A careful cost-benefit analysis by the nonpartisan Washington State Institute of Public Policy found that this program more than pays for itself in long-term savings to the government.

Such examples of proven cost-effectiveness are still relatively rare because the vast majority of government-funded programs and practices have yet to be rigorously evaluated.

Still, their very existence suggests that an effort by state policymakers to systematically identify existing cost-effective programs, and implement them effectively, could fundamentally improve the lives of many Coloradans while also saving millions of dollars.

In doing so, policymakers could help insure the greatest return on taxpayer investments, and help prevent future budget crises like the one we currently face.

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