

**LEAGUE TABLES:**

**OMB's Use of Ranking Analysis for  
Regulatory Decision-Making**

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## LEAGUE TABLES: OMB's Use of Ranking Analysis for Regulatory Decision-Making

### *The Need for Cost-effective Decisions*

Limited economic resources need to be used as efficiently as possible so as to get the most bang-for-the-buck. For health and safety regulations, this means that the government decision makers should select the policy options that minimize the risks to the public for the resources expended. Failure to select the most efficient policies means that the public would be exposed to a higher than necessary level of risk.

Accurate selection of the most cost-effective policy options requires three types of analyses:

1. Cost Analysis B Determines the annual or net present cost of the regulatory options under consideration.
2. Benefit Analysis B Usually measures, for health and safety regulations, the expected lives saved (premature deaths avoided), injuries avoided or similar health improvement.
3. Comparative Analysis B Allows the decision maker to select the most efficient policy options.

To ensure that the comparative analysis is as useful as possible, the cost and benefit analyses should be conducted using comparable, high quality methodologies. Centralized review of agency analyses can provide an important additional level of quality assurance and oversight. However, even after such review, policy officials still need a tool allowing the comparison of various regulatory options; hence OMB's use of league tables.

### *League Tables: Ranking the Regulations*

OMB has recently renewed their use of league tables as a means of comparing the relative cost-effectiveness of various health and safety regulations. League tables provide an orderly ranking, first to worst, of comparable items based on a common key criteria, such as life-years saved. Life-years saved reflects an estimate of the years of life, over a given period of time, not lost to premature death as a result of the rule, adjusted by a discount rate. League tables, first used for ranking sports teams, have been used in public health research for decades.

League tables can serve multiple analytic purposes including:

- \$ Providing a retrospective review of the cost-effectiveness of previously made regulatory decisions;
- \$ Providing a prospective review of the cost-effectiveness pending regulatory decisions; and,
- \$ Identifying outliers, meaning regulations or regulatory options that have a value radically different from the other items being ranked.

With regard to a prospective review of regulatory options, league tables have several uses, including:

- \$ Assessing the type of regulation, such as exposure limits, training, etc., which are most cost-effective; and,
- \$ Determining which regulatory option is the most cost-effective means of achieving a specific regulatory goal, such as reducing repetitive stress injuries.

As part of the Analytic Perspectives section of the President's FY 2003 Budget, OMB included a league table ranking 10 health and safety regulations promulgated by the Department of Transportation (DOT), the Department of Labor and the Environmental Protection Agency between 1995 and 2000.

The league table in the President's Budget demonstrated that regulations have had widely varying cost-effectiveness. For example, the most cost-effective regulations from EPA and Occupational Safety and Health Administration (OSHA) had an estimated cost per life-year saved of less than zero. By contrast, the least cost-effective regulation on the table was an OSHA rule estimated to cost over \$1.1 million per life-year saved.

Of particular note is an EPA regulation which was estimated to save anywhere from zero to 5,130 lives per year with an annual cost ranging from less than zero to over \$750 million. Thus, in addition to illustrating the relative cost-effectiveness of various regulations, OMB's league table also demonstrated the need for quality analysis of regulatory costs and benefits. After all, it is difficult for a policy official to make a rational decision about a pending regulation without knowing whether the option under consideration would cost nothing and save thousands of lives, cost billions without saving any lives or was somewhere in between.

One of the general conclusions OMB drew from the league table was that safety regulations tended to be more cost effective than regulations intended to protect human health.

### *New OMB Usage of League Tables*

OMB, in the President's Budget, explained that league tables were most useful if based on information about potential or proposed rules, since the decision makers can consider reallocating resources to those rulemaking opportunities that rank highest in cost-effectiveness. @

The Budget went on to explain that OMB was in the process of taking steps to increase the use of league tables in regulatory decision-making. One of the key steps in OMB's process of increasing use of league tables was, according to the White House document, the issuance of government-wide Data Quality guidelines under the Federal Data Quality Act. The Data Quality guidelines are important since useful league tables require consistent, high quality underlying cost and benefit analyses. OMB also stated that they would be updating their regulatory analysis guidelines to facilitate analytic measures of effectiveness and performance used by agencies. The Budget document went on to encourage agencies to develop objective means of measuring program effectiveness so as to support cost-effectiveness analyses.

### *CRE Usage of League Tables*

One of the CRE's primary functions as a regulatory watchdog is to analyze the cost effectiveness of regulatory policies under consideration by various agencies. Furthermore, CRE has been an active participant in the public process of developing both OMB and agency-specific Data Quality guidelines. Since league tables 1) are a useful analytic tool that OMB will increasingly employ as part of the regulatory evaluation process and 2) will make use of the new Data Quality guidelines, then CRE will incorporate them into relevant regulatory analyses. Specifically, CRE will use league tables as a means of:

1. Evaluating competing regulatory options under consideration in a variety of health and safety rulemakings; and,
2. Comparing the cost-effectiveness of the regulatory options in various rulemakings with the costs of the rules cited by OMB in the President's Budget to determine if they are in line with historic levels.

CRE, in our initial instance of a league table-based analysis, has undertaken a review of the proposed tire performance standards for new Federal Motor Vehicle Safety Standard No. 139 put

forth by DOT's National Highway and Traffic Safety Administration (Docket No. NHTSA-00-8011). CRE's analysis is attached.