

# Cost-effectiveness Thresholds: Should we be Generating More Empirical Evidence and, if so, How?

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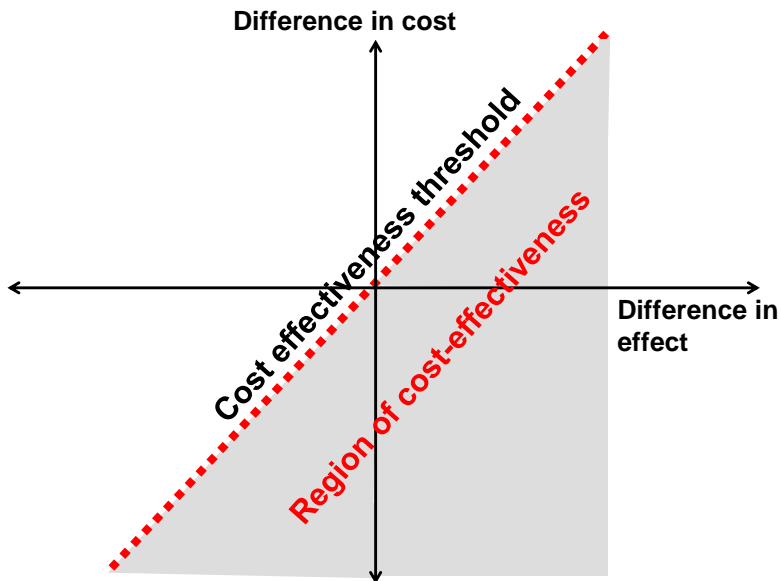
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## Context

- Resource allocation decisions increasingly informed by cost-effectiveness analysis
- Relevance to decisions requires information about how to interpret estimates of incremental cost and incremental benefit
- Incremental cost-effectiveness ratio:  $\Delta C/\Delta E$
- Comparison against a suitable cost-effectiveness threshold
- Threshold crucial but
  - Uncertain conceptually
  - Little empirical estimation

## Cost effectiveness plane



## Contrasting conceptual foundations

### Demand side

- Individuals' valuation of changes in their own health
- Generally expressed as willing to forgo consumption
- Not related to current health system financial constraints
- Various approaches to estimation
- Behind WHO thresholds

### Supply side

- Reflects system's financial constraints
- Reflects health effects of displaced activities (health opportunity costs)
- Type of opportunity costs may depend on system
- Can be estimated empirically

## Issues

- What is the appropriate conceptual basis for cost effectiveness thresholds?
- To what extent does this depend on the characteristics of the health system?
- What estimation strategies are available?
- What datasets are available for estimation?

## Our speakers



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