

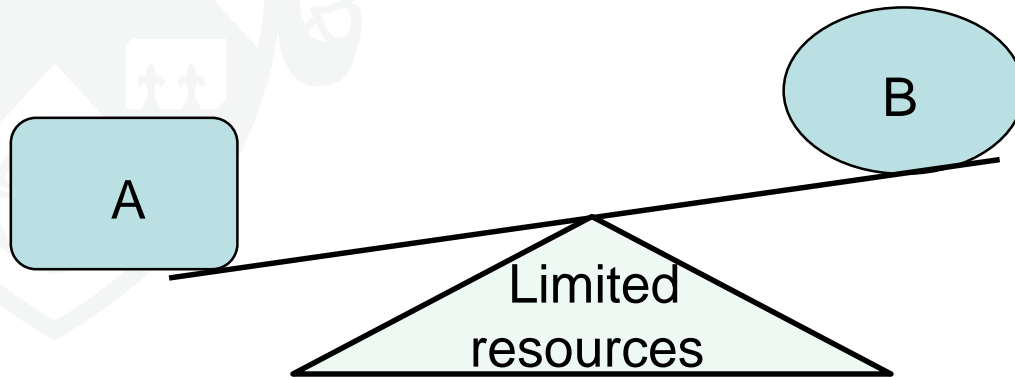
ECONOMIC EVALUATION: WHAT IS IT AND WHY DO WE NEED IT?

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Key economic problem

- Economic evaluation is consistent with the principles of economics:
 - Limited resources
 - Unlimited ‘wants’
 - Choices need to be made between alternative uses of resources



Not all wants can be fulfilled and choices must be made about where best to use resources to maximise “benefits”

Economic evaluation

- Economic evaluation goes beyond cost
- Aims to answer: Is this the best thing we can do with these resources?
- To do this we need to know:
 - What are the benefits of the intervention?
 - How much does it cost?
 - What could we alternatively do with the same resources?
 - What are the benefits of the alternatives?

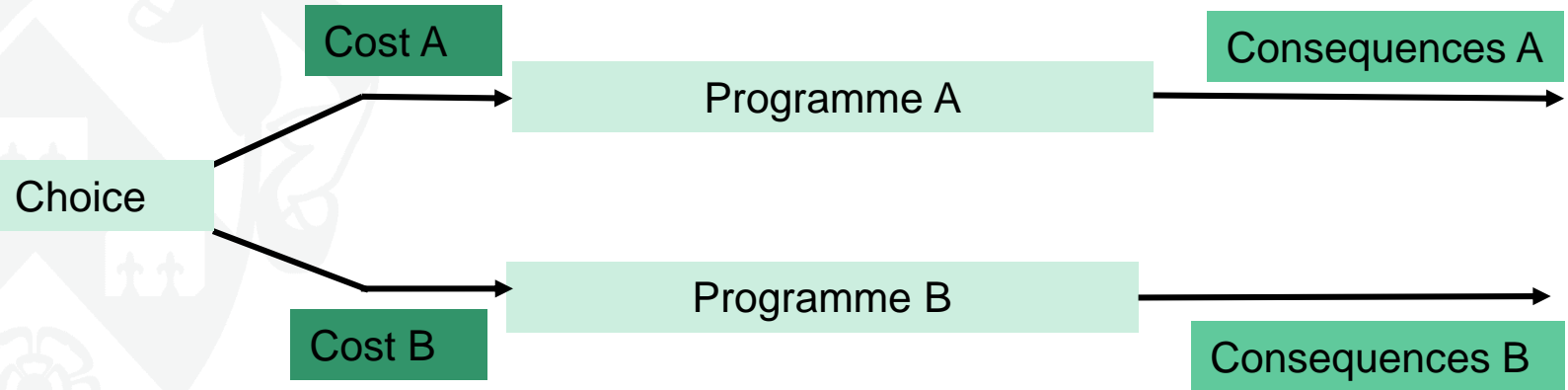
Economic evaluation in health care (I)

- Benefits of health care technologies and interventions are not as easily assessed as those of other goods
- Asymmetry of information
- Patients might not face the full cost of the intervention directly themselves at the point of consumption
- In some other sectors, the resource allocation decisions would be made by the market

Economic evaluation in health care (II)

- Well established in the UK
- Outcome measure: the Quality Adjusted Life Year (QALY) which captures quality and length of life
- Costs to the NHS and Personal Social Services
- Introducing a new more expensive treatment or programme means stopping funding other treatments (fixed budget)
- A new treatment is cost-effective if it produces an additional QALY at a cost below £20k-£30k (National Institute for Health and Care Excellence (NICE)) or £13k (Claxton et al). In end of life care drug appraisals = £50k

Economic evaluation: Comparative analysis



Incremental cost-effectiveness plane

A = New treatment
B = Old treatment

B dominates as less costly & more effective than A

A is more costly

A is more costly & more effective

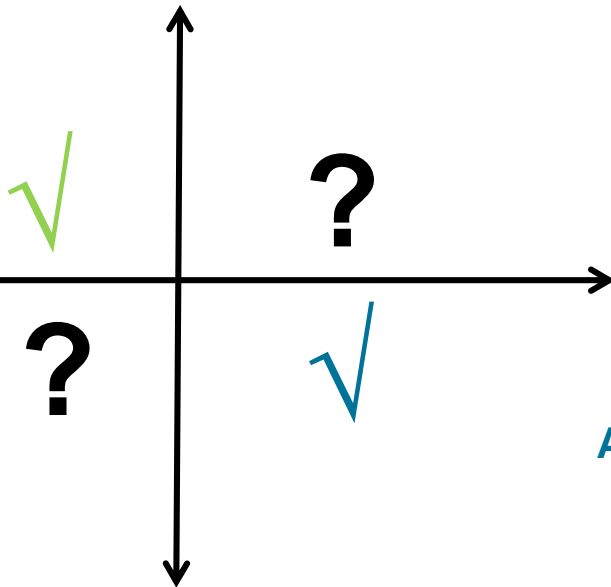
A is less effective

A is more effective

A is less costly & less effective

A dominates as less costly & more effective than B

A is less costly



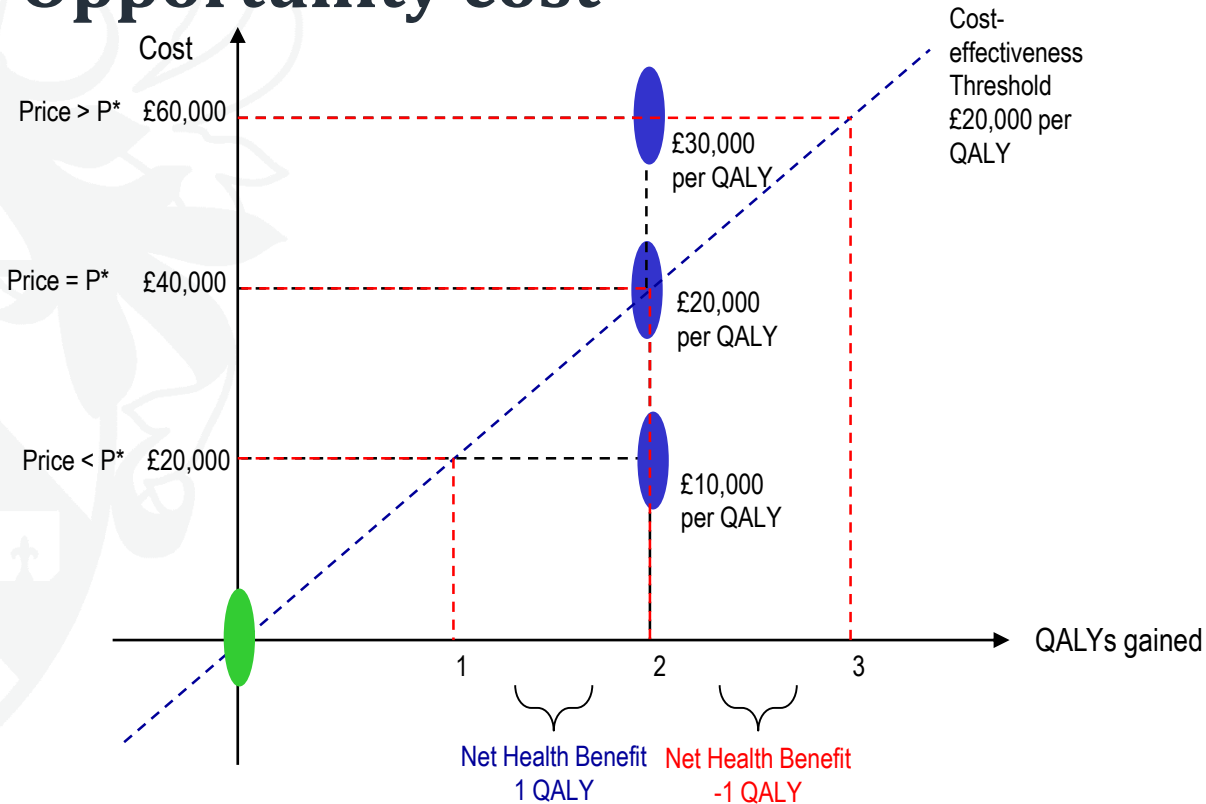
Where do the opportunity costs lie?

- Budget constrained system
 - Displacement of other health care treatments
- Non-budget constrained system
 - Displacement of other treatments and/or activities in other government or private sectors



Source: Peter Littlejohns, The Challenge of Health Care in Europe:
"value for money"

NICE: Opportunity cost



Economic evaluation example

<i>Economic question and perspective</i>	Cost-effectiveness of hospice at home services in end of life care for children and young people, from the perspective of the NHS
<i>Alternative interventions</i>	Hospice at home service A vs hospice at home service B
<i>Source of effectiveness</i>	Mixed methods, quasi-experimental design
<i>Identify and measure the costs and consequences</i>	Costs: Hospice at home services and associated health care service use Consequences: HRQoL
<i>Value the costs and consequences</i>	Costs: A unit cost is applied to each item of resource use Consequences: Improvement in HRQoL measured in the change in dimensions of EQ-5D
<i>Incremental analysis</i>	Difference in costs / Difference in consequences

Summary

- Aim to optimise the use of limited resources by maximising outcomes given a fixed budget using a systematic and transparent framework for evaluation
- Inform health care choices. Assist decision makers, whether providers, commissioners or users, in the allocation of scarce health care resources
- How are decisions made in the absence of economic evaluation evidence?
- Consider the consequences of not taking costs and consequences into account. Ignores adverse consequences upon others of the decisions made
- Systematic approaches increase the explicitness and accountability in decision making