WeMeReC
Welsh Medicines Resource Centre
Canolfan Adnoddau Moddion Cymru

Things to know
*"Independent prescribing information for NHS Wales"*

March 2007

# … about economic evaluations

- Economic evaluations compare the **costs** and **benefits** of different interventions (preventative, diagnostic, or therapeutic). They can inform choices about the efficient use of resources, i.e. the allocation of limited resources for maximum benefit.

- Different types of evaluations are used depending on –
  - the perspective employed – is the evaluation undertaken from a local, NHS, or wider societal perspective?
  - the benefits or outcomes that have been identified, measured, and valued.

  For established interventions that are equally effective, costs can be directly compared using **cost-minimisation analysis.** (Consider branded vs generic medicines.)

  **Cost-effectiveness analysis** is appropriate when interventions are not equally effective, but the benefits are measured in the same, natural health units (e.g. cases detected, life-years gained, symptom-free days).

  **Cost-utility analysis** can be performed if the outcomes are measured in terms of both quantity *and* quality of life (e.g. quality-adjusted life-years - see *Things to know about QALYs*). This type of analysis allows costs to be compared across different disease areas.

  Rarely used, **cost–benefit analysis** compares the benefits of different interventions solely in monetary terms. It considers only factors that are assigned a monetary value, even if these are not chargeable.

- An economic analysis is only as good as the clinical evidence upon which it is based. It is important that –
  - it is critically appraised
  - the calculations have been subject to sensitivity analysis in order to assess the implications of changes in costs and/or benefits on the study findings.

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