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.