



# LIHS Mini Master Class

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## When health economics might add value to your research proposal

Presenter

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# Introduction

- How does the NHS make decisions about what to prescribe or to recommend for patients?
- How do they decide which new technologies, programmes or service delivery models to adopt?
- How do we decide what represents value for money?
- Economic evaluation provides a tool by which to help make these decisions.
- But..... Economic evaluation is only one of the ways in which health economics might add value to your research proposal





# Introduction

*This session aims to help you understand how health economics might add value to your research proposal.*

## **Objectives**

1. Develop an understanding of why health economics might be considered in research
2. Develop an understanding of when health economics might be included in research

# Introduction

- What is health economics and economic evaluation?
- But it's not all about economic evaluation....
- How does health economics fit with your research?



# What is health economics?

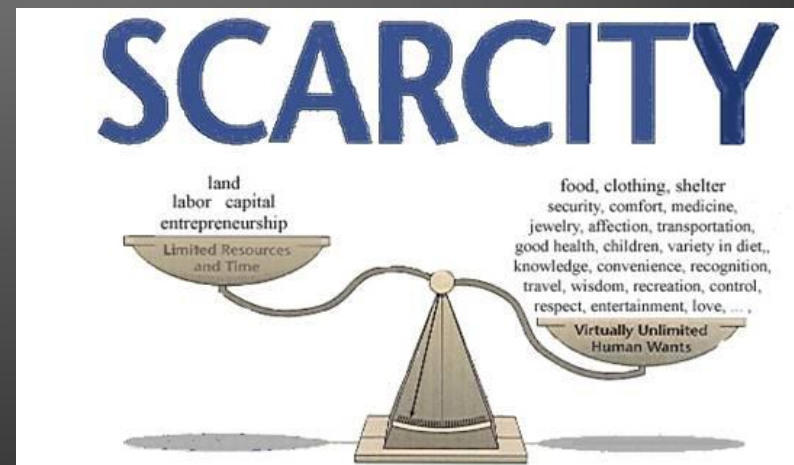
- Health economics is a branch of economics concerned specifically with choices in health and health care
- It is based on the same premise as economics: limited resources and unlimited wants; choice in the face of budget constraints



# Key concepts in health economics

- Scarcity: In health economics we assume that there are limited resources (time of a surgeon; specialised equipment; number of beds in a ward etc) and unlimited wants (unlimited needs of patients)
- Choice: And that choices are made in the face of budget constraints (NHS budget)
- Opportunity cost: The opportunity cost of undertaking an activity is defined as the benefits that must be foregone by not allocating resources to the next best activity

The concept of opportunity cost is *fundamental* to health economics. It is based upon the idea that scarcity of resources means that use of resources on one health care activity inevitably means sacrificing activity somewhere else



# Why is health economics important in research?

- In the UK around 8-9% of GDP is spent on healthcare and this is set to rise due to demographic changes, impact of new technology, rising labour costs and economic growth, increased demand for health care
- In England alone the 2015/16 budget is £116.4 billion
- We need to make choices and decisions about how our resources are used

*'No healthcare system, anywhere in the world, has achieved levels of spending sufficient to meet all its clients' wants for healthcare'*  
(Morris et al, 2007:3)



# Economic evaluation

- The most important issue when deciding whether to provide a healthcare intervention, service or programme is the extent to which it improves health; but... there is no such thing as a free lunch!
- The more a healthcare intervention or programme costs, the fewer resources are available for other programmes or interventions (opportunity cost)
- When we are concerned with population health cost becomes the second most important issue

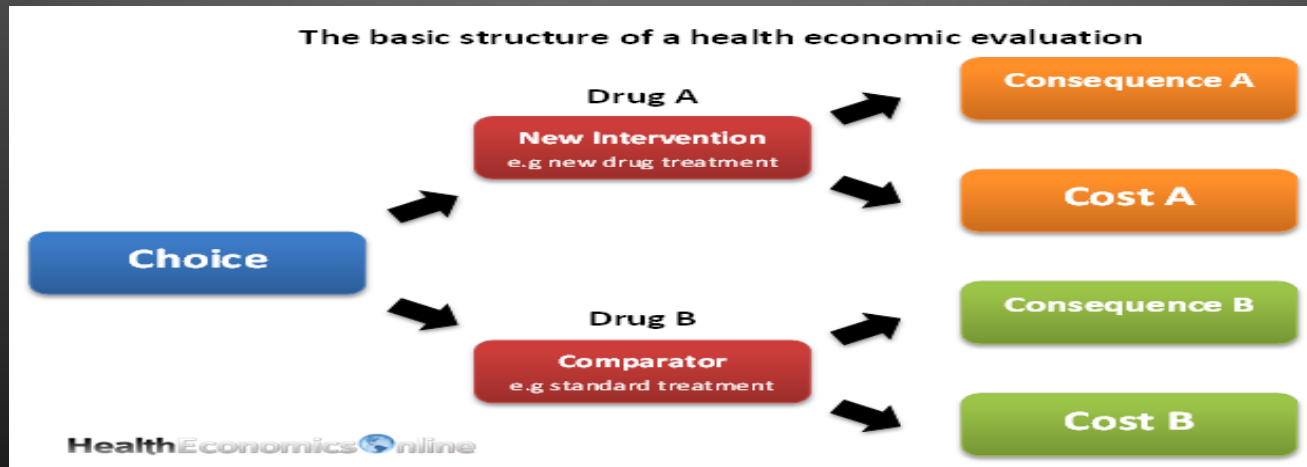




# Economic evaluation



- Economic Evaluation aims to provide robust information to inform choices
- It aims to ensure the benefits of programmes that are implemented exceed their opportunity costs
- It is a structured approach to help decision makers choose between alternative ways of using resources
- Economic evaluation is “... the comparative analysis of alternative courses of action in terms of both their costs and consequences”  
(Drummond, Stoddart & Torrance, 1987)



# When might you think about economic evaluation?

- New technologies or interventions (decision analytical cost effectiveness modelling)
- Preliminary research
- Feasibility/pilot studies
- Non-randomised studies
- RCTs

Innovation & development



Phase 3 trials

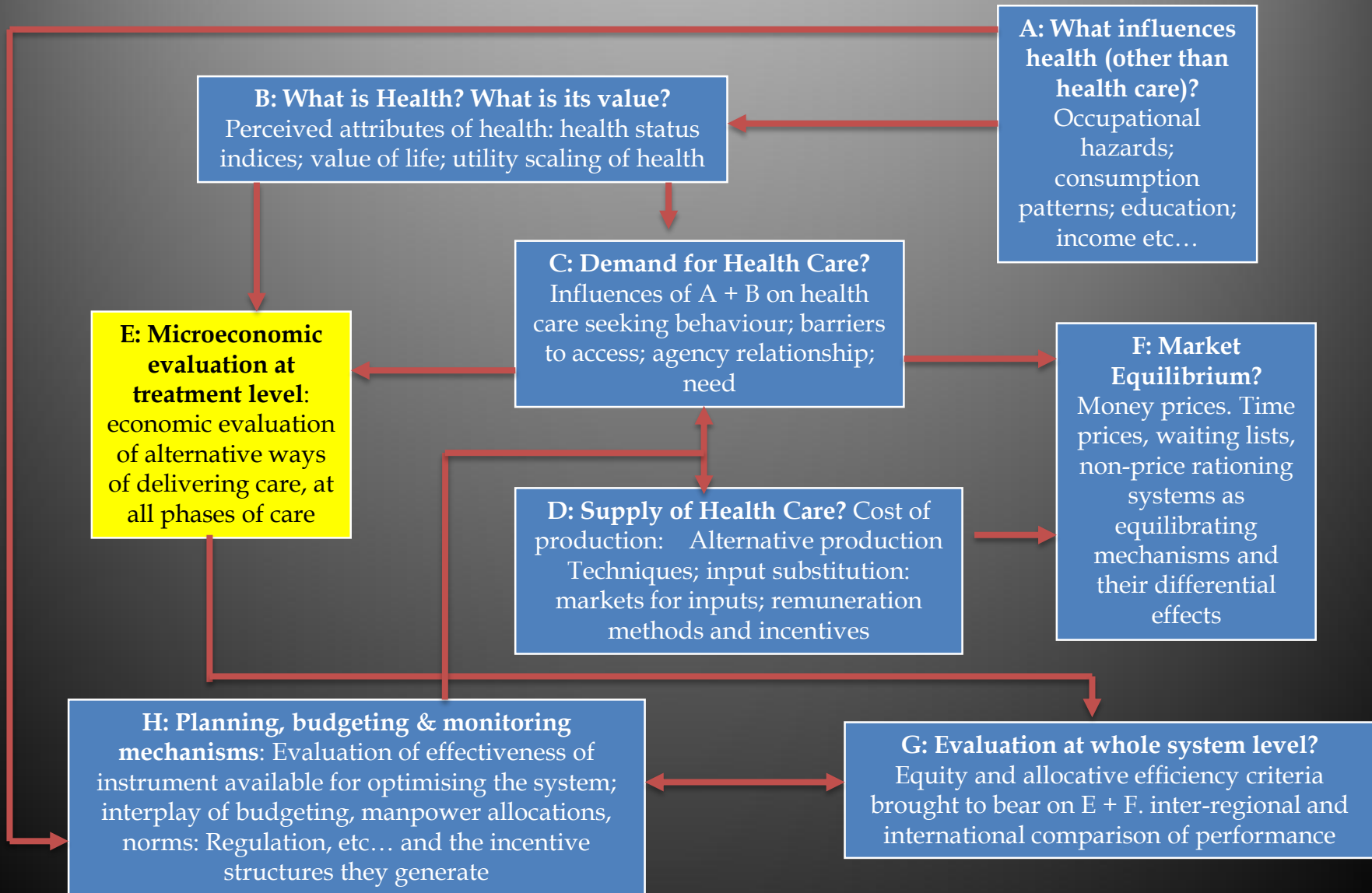
- What is health economics and economic evaluation?
- **But it's not all about economic evaluation....**
- How does health economics fit with your research?



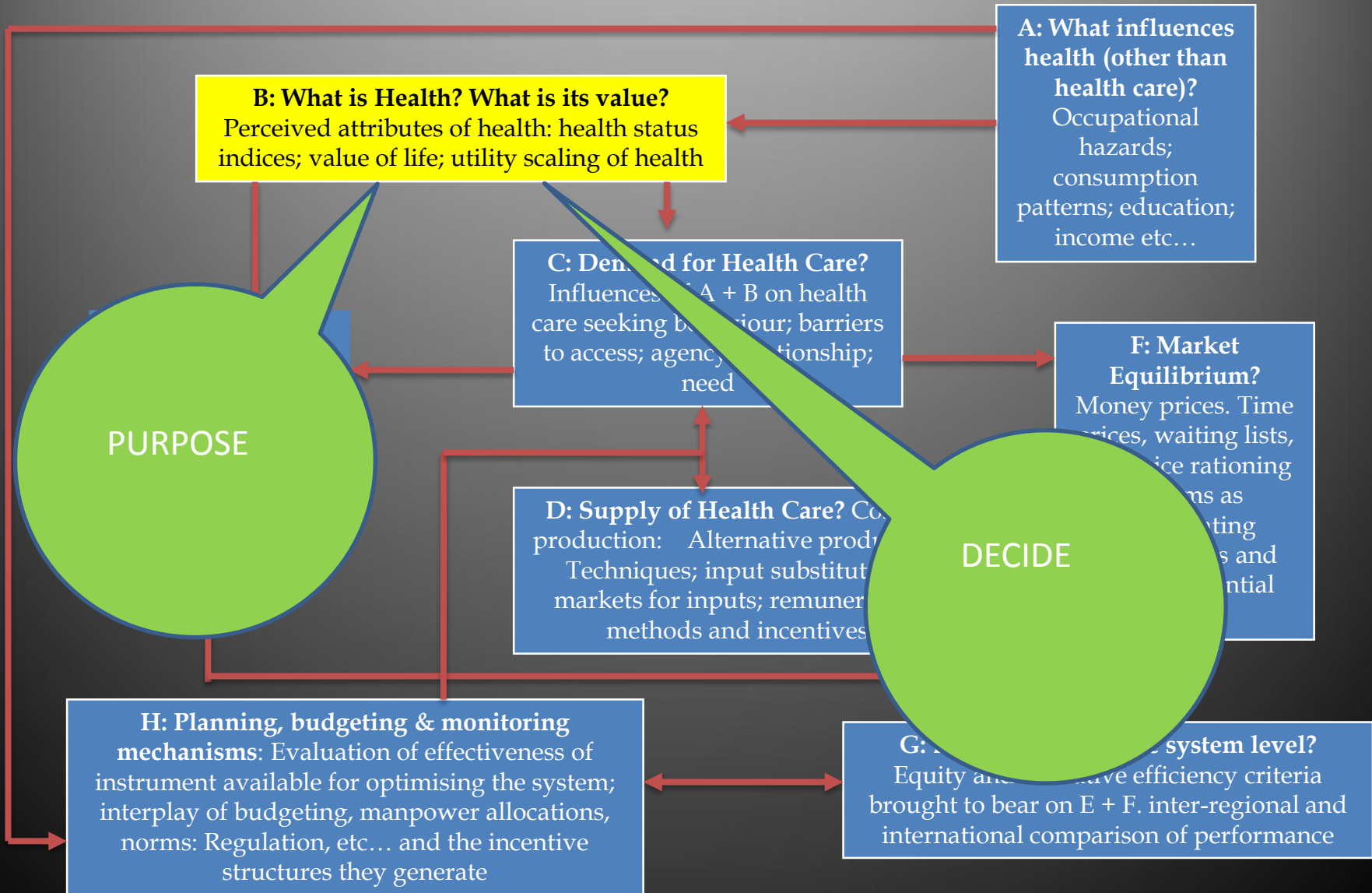
# It's not all about economic evaluation....

- The methods we use in health economics allow for systematic and rigorous examination of problems across a range of areas in health and health care
- We draw on economic theories of consumer, producer and social choice
- Health Economics can help understand the behaviour of individuals, health care providers, public and private organisations, and governments in decision-making

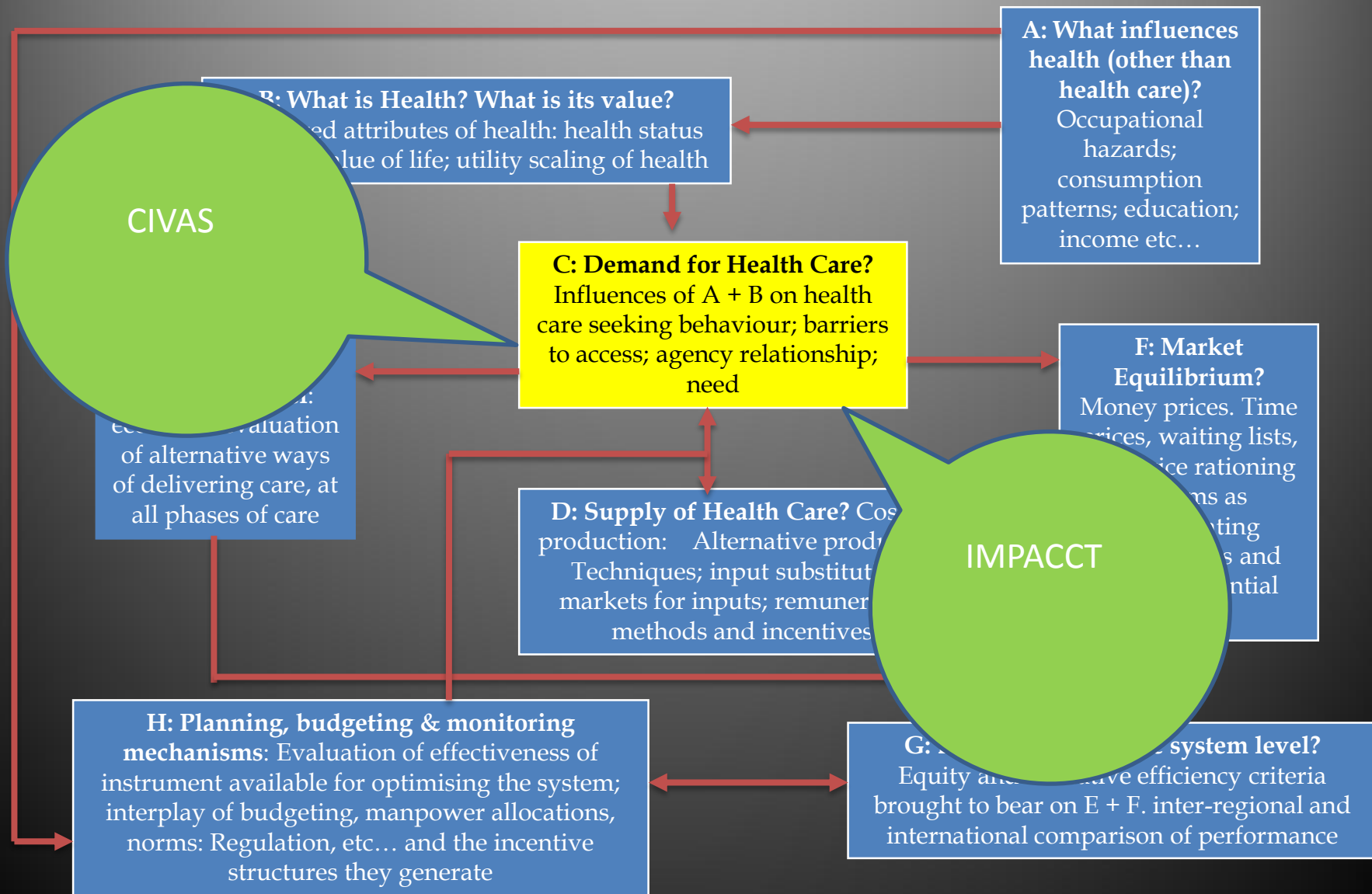
# Structure of health economics



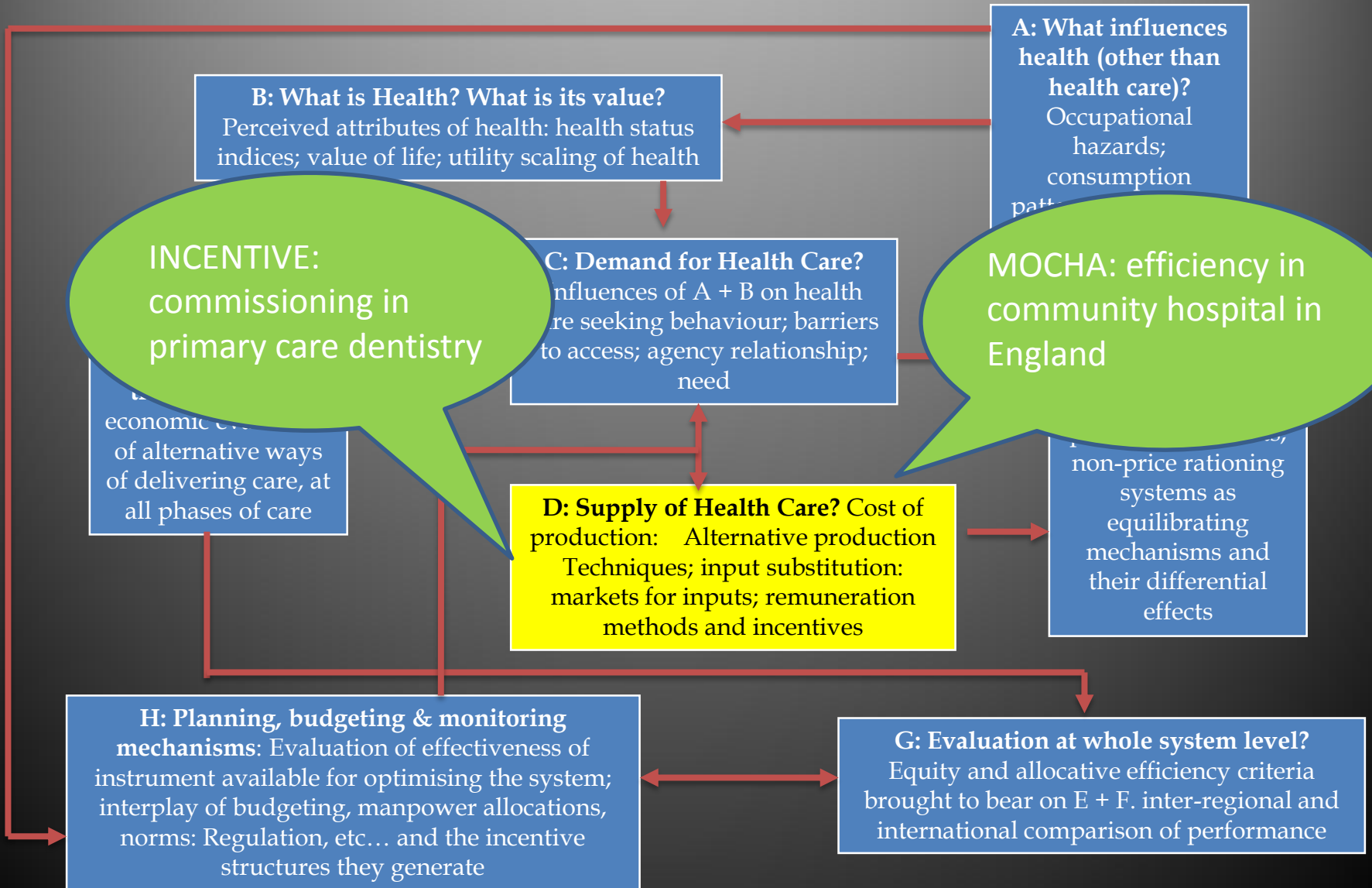
# Examples



# Examples



# Examples





- What is health economics and economic evaluation?
- But it's not all about economic evaluation....
- **How does health economics fit with your research?**



# How does health economics fit with your research?

Thinking about your research do you have questions about:

- Cost effectiveness
- Efficiency
- Value or cost
- Financial reimbursement or distribution in health care
- Equity in health and health care
- Value of or valuing health
- Consumer preferences
- Consumer behaviour
- Healthcare provider behaviour?



# Text of interest

Morris, S., Devlin, N., Parkin, D. 2007 *Economic Analysis in Health Care*. John Wiley & Sons: Chichester

Donaldson, C. and Gerrard, K., Jan, S., Mitton, C., Wiseman, V. 2004. *Economics of Health Care Financing the Visible Hand*. 2<sup>nd</sup> ed. Palgrave McMillan: Bedford

Drummond, M.F., Sculpher, M.J., Torrance, G.W. O'Brien, B., Stoddart, G.L. 2005 *Methods for the Economic Evaluation of Health Care Programmes*. 3<sup>rd</sup> ed. Oxford University Press: Oxford

Brazier, J., Ratcliffe, J., Salomon, J., Tsuchiya, A. (2007), *Measuring and Valuing Health Benefits for Economic Evaluation*, Oxford University Press

Folland, S., Goodman, A.C., Stano, M. 2006. *The Economics of Health and Health Care*. 5<sup>th</sup> ed. Prentice Hall: New Jersey

Economics notes: Using cost effectiveness information. (Andrew Briggs, Alastair Gray. *BMJ* 2000;320:246-246)

<http://www.hesonline.nhs.uk/Ease/servlet/ContentServer?siteID=1937>