

COST-BENEFIT ANALYSIS

Learning outcome

Learners will be able to define the term and give a reason for its use. (Both costs and benefits are measured in *monetary terms*, and it is used in the health services to establish priorities.)

Range statement

Middle- and top-level managers should be able to contribute effectively to this process and understand its utilisation, as well as the difficulties which arise when benefits cannot be expressed in monetary terms.

Assessment criteria

- (1) Explaining the *indexes* commonly used to measure the output or benefits of a programme, for example, 'quality-of-life -years', 'life-years of health', and 'disability-adjusted life-years'.
- (2) Describing at least one *example* of a cost-benefit analysis, such as the following:
 - The benefit of a new drug, *Moclobemide*, was assessed against the effectiveness of a traditional medication for depression, *Tryptaline*.
 - Ninety-five patients with depression were interviewed by trained interviewers, who explained to the patients that with the new drug, Moclobemide, 7 of the 10 most commonly reported side-effects occurred less frequently.
 - In the light of this information, the patients were asked what would be the maximum amount of money they were willing to *pay* to have the new drug provided in preference to Tryptaline.
 - The responses indicated that the patients were willing to pay £61 for the new drug. (The new drug costs £26 more than the Tryptaline for a month's supply.)
 - The conclusion reached was that the *net benefit* of treating depression with Moclobemide, rather than Tryptaline, was positive, and that this would be the best path to follow.
 - The conclusion was reached in the following calculation: £61 minus £26 = £35 nett (Morris 1998:245).

Specific outcome

Learners will be able to explain the difference between cost-benefit analysis and cost-effectiveness analysis.

Critical outcomes

Learners will be able to:

- describe the types of index usually used for measurement of benefits
- show that they understand the calculations made, namely calculation of the opportunity costs in monetary terms

Reference

Morris, S. 1998. *Health economics for nurses: an introductory guide*. London: Prentice Hall.