

## ECONOMIC EVALUATION PRIMER

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Economic evaluation seeks to calculate and compare the costs and returns of interventions and/or implementation strategies. Results should always be interpreted with reference to the *quality* and *context* of the evidence.

### Key Methods

Cost Analysis: Determine the economic value of resources used for interventions/strategies. Outcomes are measured in monetary units.

Cost-Effectiveness Analysis: Determine the cost (monetary) for interventions/strategies to achieve a unit change in a given outcome (in natural units). Evaluation based on cost-effectiveness ratios (CERs) and incremental cost-effectiveness ratios (ICERs).

Cost-Utility Analysis: Determine the cost (monetary) for interventions/strategies to achieve a unit change in a standard rating of well-being (e.g., QALY, DALY). Also uses CERs/ICERs.

Benefit-Cost Analysis: Compare the cost and benefits of interventions/strategies after all variables have been monetized. Evaluation based on net benefits and benefit-cost ratios

Budget Impact Analysis: Compare the cost and savings (monetary) of interventions/strategies within the short-term budget of a specific payer. Evaluation based on net budget impact.

### Key Components of Analysis

Perspective: Refers to the scope of the evaluation, i.e., from whose perspective the costs and returns will be determined. Examples include societal, state government, agency, or patient.

Counterfactual: The base condition used as the basis for comparison in evaluating an intervention/strategy. No intervention/strategy, the current situation, or the best proven intervention/strategy are common.

Monetization: All resources and outcomes that are expressed in monetary terms should be presented in unitized present values. Need to account for direct vs. indirect, fixed vs. variable costs and returns. Monetary values must be adjusted to account for inflation and cost of living.

Time Horizon: The time period over which costs and returns accrue. A discount rate (standard 3% per year) is applied to values that accrue into the future.

Sensitivity analysis: Uncertainty is introduced to economic evaluations through imprecise measurement and the need to make assumptions. Sensitivity analysis varies key parameters over plausible ranges to determine whether the results are robust to associated uncertainty.

*See also*: Eisman, A. B., Kilbourne, A. M., Dopp, A. R., Saldana, L., & Eisenberg, D. (2019). Economic evaluation in implementation science: Making the business case for implementation strategies. *Psychiatry Research*. <https://doi.org/10.1016/j.psychres.2019.06.008>