

Health Economics Terms

Pharmacoconomics Health-Related Quality-of-life (HR-QoL or QoL) Drug Utilization Miscellaneous

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Acquisition cost
The purchase cost of a drug to an institution, agency or person

Analytic perspective
The viewpoint chosen for the analysis (e.g., societal, government, healthcare system, payer)

Average cost
Total costs of a treatment or program divided by total quantity of treatment units provided (see also marginal cost)

Contingent valuation
A method for evaluation of benefit or value to individuals of therapy that uses survey methods to establish willingness to pay

Cost/QALY gained
A measure used in CUA to assist in comparisons among programs; expressed as monetary cost per unit of outcome

Cost-benefit analysis (CBA)
Type of analysis that measures costs and benefits in pecuniary units and computes a net monetary gain/loss or a cost-benefit ratio

Cost-benefit ratio
The ratio of the total monetary cost of a program divided by the benefits expressed as savings in projected expenditure

Cost-effectiveness analysis (CEA)
Type of analysis that compares drugs or programs having a common health outcome (e.g., reduction of blood pressure; life-years saved) in a situation where, for a given level of resources, the decision maker wishes to maximize the health benefits conferred to the population of concern

Cost-effectiveness ratio
The ratio of the total cost of a program divided by the health outcome (e.g., cost per life-year gained); used in CEA to select among programs

Cost-minimization analysis (CMA)
Type of analysis that finds the least costly program among those shown or assumed to be of equal benefit

Cost (burden)-of-illness analysis
Study that identifies and evaluates the direct and sometimes indirect costs of a particular disease or risk factor (e.g., smoking or alcohol consumption)

Cost-utility analysis (CUA)
Type of analysis that measures benefits in utility-weighted life-years (QALYs); computes a cost per utility-measure ratio for comparison between programs

Decision analysis
An explicit quantitative approach for prescribing decisions under conditions of uncertainty

Decision tree
A framework for representing alternatives for use in decision analysis

Direct medical costs
Fixed and variable costs associated directly with a healthcare intervention (e.g., physician salaries)

Direct nonmedical cost
A nonmedical cost associated with provision of medical services (e.g., transportation of a patient to a hospital)

Discount rate
Rate of discount used to convert future costs and benefits into equivalent present values; typically 2 to 6% p.a.

Effectiveness (of a drug)
The therapeutic outcome in a real world patient population (usually differs from efficacy determined in controlled clinical trials)

Formulary
A list of drugs reimbursable under a health insurance plan or offered under a capitated or managed care program, or preferred in a particular clinical setting

Friction costs method
A method of estimating the productivity costs by calculating the value of production losses during the friction period (i.e. between start of absence from work and replacement)

Human capital method
A means of calculating the indirect cost of medical illness, based on the remaining lifetime economic value to society of a healthy individual of that age, measured by market earnings

Incremental cost^a
Difference between the cost of a program (treatment) and the cost of the comparison program

Indirect medical cost
Cost of medical treatment (in life-years) gained through an earlier intervention

Indirect non-medial cost (productivity cost)
Cost associated with reduced productivity due to illness, disability or death

Intangible cost
The cost of pain and suffering occurring as a result of illness or treatment

Marginal cost^a (see also average cost)
The extra cost of one extra unit of product or service (usually differs from average cost)

Markov model
A statistical representation of recurrent events over time that can be incorporated into decision analysis

Net benefit
Benefit (in pecuniary units) minus total cost (in pecuniary units): a basic decision criterion in CBA

Opportunity cost
The cost of using resources for some purpose, measured as their value in their next best alternative use

Sensitivity analysis
A process through which the robustness of an economic model is assessed by examining the changes in results of the analysis when key variables are varied over a specific range

Utility
A measure of value of an outcome that reflects attitude towards the probability of that outcome occurring

Willingness to pay
The maximum amount of money that an individual is prepared to give up to ensure that a proposed healthcare measure is undertaken

Construct (or discriminant) validity
The degree to which a quality-of-life instrument specifies the factors that account for variability in the state of health that the instrument is intended to measure

Content validity
The degree to which a health-status measure represents the health domains included within the measure

Convergent validity
The degree of correlation between different measures of the same construct

Criterion (predictive) validity
The degree to which a 'new' health-status measure correlates with a 'gold standard' or to its relationship with an external criterion

Equity criteria
The value or weights attributed to different individuals or groups

Face validity
That quality of a health-status measure such that it seems to be a reasonable measure of some domain of health-related quality-of-life

Global health index
An index of health status that combines all aspects of patient functioning into a single number

Health status measure
Single instrument measuring different aspects of QoL; individual scores may be aggregated into an Index

Health profile
A health-status measure that produces scores of different health domains (e.g., physical well-being, role functioning, mental health) using the same metric

Health status index
An index that uses weights to compare different levels of health status; can be used to calculate the total number of QALYs

Health status instrument
A constellation of questionnaires, interview schedules, administrative procedures and scoring instructions for a health-status measure

Health-related quality of life (HR-QoL)
QoL measures that are likely to be influenced by health interventions

Healthy years equivalent (HYE)
The hypothetical number of years spent in perfect health that could be considered equivalent to the actual number of years spent in a defined imperfect state of health

Interviewer bias
Bias caused by a respondent's predisposition to the interviewer or the interviewer's interpretation of the answers

Linear analogue instrument
A horizontal or vertical line anchored at one end with 'death' and the other 'perfect health'; used by patients to assess current health status

Multi-attribute scale instrument
An instrument for quality-of-life measurement that includes a health status classification system in which health is defined as being comprised of several domains of patient functioning (e.g., physical, mental, emotional) and a scoring function to convert health status so measured into health-related quality of life (typically on a scale of death = 0 to perfect health = 1)

Quality-of-life (QoL)
Physical, social and emotional aspects of a patient's well-being that are relevant and important to the individual

Quality-adjusted life year (gained) [QALY]
A common measure of health improvement used in CUA: combines mortality and QoL gains (outcome of a treatment measured as the number of years of life saved, adjusted for quality)

Reproducibility (reliability)
The extent to which repeated administration of a quality-of-life instrument to a stable population yields the same results

Responsiveness
The extent to which a quality-of-life instrument can detect small but clinically important changes

Sensitivity to change
The extent to which an instrument is responsive to changes in quality of life over time

Single domain instrument
Instrument examining a narrow and clearly defined area of QoL

Utility
A cardinal measure of the preference for, or desirability of, a specific level of health status or a specific health outcome

Utility function
A mathematical representation of an individual's level of satisfaction with each set of health status alternatives

Utility scale
An interval or ratio scale, defined by 2 anchor states or outcomes and their scores, on which utilities are measured. Often defined by full health = 1.0 and death = 0.0

Utility measure of HR-QoL
A single summary score on the conventional utility scale of health = 1.0, death = 0.0

Utility weighted index
A QoL weighting scheme with weights determined using a utility approach

Defined daily dose (DDD)
The average maintenance dose for the clinical indication of a drug in adult patients

Drug usage/ utilization review (DUR)
A program that reviews, analyzes and interprets rates, costs and appropriateness of drug usage to assess inappropriate use, prevent adverse drug interactions and optimize appropriate use

Drug use evaluation (DUE)
See DUR

Over-the-counter (OTC) drug
A medication available without a prescription

Quality assurance program
Program to evaluate and improve current medical practice and aspects of medical administration to achieve desired results

Meta-analysis
A systematic process for finding, evaluating and combining the results of sets of data from different scientific studies