

Glossary

Average cost

Total costs of a treatment or programme divided by total quantity of treatment units provided (see also “Marginal cost”).

Budget Impact Analysis (BIA)

A tool to predict the potential financial impact of the adoption and diffusion of a new technology into a healthcare system with finite resources.

Consequence

In health economics, the effects, outputs, or outcomes of the program or drug therapy of interest.

Cost

In health economics, the value of the resources consumed by a program or drug therapy of interest.

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-Effectiveness Analysis (CEA)

CEA has been defined by NICE as an economic study design in which consequences of different interventions are measured using a single outcome, usually in “natural” units (for example, life-years gained, deaths avoided, heart attacks avoided, or cases detected), and the interventions are compared in terms of cost per unit of effectiveness.

Cost-Minimization Analysis (CMA)

Type of analysis that finds the least costly program among those shown or assumed to be of equal benefit.

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 tree

A framework for representing alternatives for use in decision analysis.

Defined Daily Dose (DDD)

The average maintenance dose for the clinical indication of a drug in adult patients.

Direct cost

The direct cost of an illness to society is the cost of providing all of the health care services to treat it, including the costs of medicines, physician visits, emergency room visits, and hospitalizations due to the disease.

Disability-Adjusted Life-Years (DALYs)

The sum of years of potential life lost due to premature mortality and the years of productive life lost due to disability.

Economic evaluation

An analysis that evaluates the costs and consequences of health technologies.

Effectiveness

The extent to which a drug achieves its intended effect in the usual clinical setting.

Efficacy

The extent to which a drug has the ability to bring about its intended effect under ideal circumstances, such as in a randomized clinical trial.

Equity

Fairness in the allocation of resources or treatments among different individuals or groups.

Health Maintenance Organization (HMO)

Managed care plan that offers prepaid comprehensive healthcare coverage, minimal copay and coinsurance, and usually case management to those enrolled in the plan.

Health Technology Assessment (HTA)

According to the European network for Health Technology Assessment, it is “a multidisciplinary process that summarizes information about the medical,

social, economic and ethical issues related to the use of a health technology in a systematic, transparent, unbiased, robust manner”.

Health-Related Quality of Life (HR-QoL)

A composite measure of the individual’s physical health or biologic functioning, emotional or psychological state, level of independence, social relationships, and environmental forces.

Incremental cost

The increased cost of one treatment program relative to an alternative.

Incremental Cost-Effectiveness Ratio (ICER)

The ratio of the change in costs of a therapeutic intervention (compared to the alternative, such as doing nothing or using the best available alternative treatment) to the change in effects of the intervention.

Indirect cost

The indirect cost of an illness to society is the value of the productivity lost when the disease prevents people from working.

Intangible cost

The value of psychosocial effects such as pain and suffering.

Marginal cost

Change in total cost that results from the production of an additional unit.

Markov model

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

Meta-analysis

A systematic method that uses statistical techniques for combining results from different studies to obtain a quantitative estimate of the overall effect of a particular intervention or variable on a defined outcome.

Monte Carlo simulation

A statistical technique in which a large quantity of randomly generated numbers are studied using a probabilistic model to find an approximate solution to a numerical problem that would be difficult to solve by other methods.

Mortality cost

The cost incurred due to death.

Opportunity cost

The value of all costs in an alternative use.

Outcomes research

Studies that attempt to identify, measure, and evaluate the results of healthcare services.

Overhead cost

The cost of providing space, power, administrative services, etc.

Patient Reported Outcome (PRO)

According to the Food and Drug Administration (FDA): “A type of data measuring any aspect of a patient’s health status that comes directly from the patient”. According to the European Medicines Agency: “Any outcome directly evaluated by the patient and based on patient’s perception of a disease and its treatment(s)”.

Pharmacoeconomics

A social science concerned with the description and analysis of the costs of pharmaceutical products and services and their impact on individuals, health care systems, and society.

Quality of Life (QoL)

In general, a broad-ranging concept that describes the degree of well being impacted by many factors such as environment, family, work, social status, or health status. In health care, quality of life is often regarded in terms of how it is negatively affected by an individual’s health.

Quality-Adjusted Life-Year (QALY)

A common measure of health improvement used in CUA: It combines mortality and QoL gains (outcome of a treatment measured as the number of years of life saved, adjusted for quality).

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.

Systematic review

A critical assessment and evaluation of all research studies that address a particular clinical issue. It can include a meta-analysis (quantitative pooling of data).

Willingness To Pay (WTP)

The maximum amount of money that an individual is prepared to give up to ensure that a proposed health care measure is undertaken.