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What is cost-effectiveness?

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- **Cost-effectiveness analysis** compares the costs and health effects of an intervention to assess the extent to which it can be regarded as providing value for money. This informs decision-makers who have to determine where to allocate limited healthcare resources.
- It is necessary to distinguish between **independent interventions** and **mutually exclusive interventions.** For independent interventions, average cost-effectiveness ratios suffice, but for mutually exclusive interventions, it is essential to use incremental cost-effectiveness ratios if the objective – to maximise healthcare effects given the resources available – is to be achieved.
- **Cost-effectiveness ratios** should be related to the size of relevant budgets to determine the most cost-effective strategies.
- **Cost–utility analysis** is the approach required by the National Institute for Health and Clinical Excellence, and other assessment agencies (for example, the Scottish Medicines Consortium and the All Wales Medicines Strategy Group), to determine the relative cost-effectiveness of therapeutic interventions.
- All cost-effectiveness analyses should be subjected to **sensitivity analysis,** which should be included as part of the reporting of the findings.
- Cost-effectiveness is only one of a number of criteria that should be employed in determining whether interventions are made available. Issues of **equity, needs** and **priorities,** for example, should also form part of the decision-making process.
- Care should be exercised in interpreting cost-effectiveness studies to ensure that all **underlying assumptions** have been made explicit and the context and **perspective** of the study are adequately reported.

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