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# What is health economics?

- Economics is the science of scarcity. The application of health economics reflects a universal desire to obtain **maximum value for money** by ensuring not just the clinical effectiveness, but also the cost-effectiveness of healthcare provision.
- Achieving 'value for money' implies either a desire to achieve a predetermined objective at least cost or a desire to maximise the benefit to the population of patients served from a limited amount of resources. This requires services to be evaluated for '**cost-effectiveness**'.
- An associated concept is that of **efficiency**, which measures how well resources are used in order to achieve a desired outcome.
- **Opportunity cost** represents an invaluable mode of thought in health economics, as it makes clear the explicit trade-offs that underlie resource use in the health services. The true cost of using scarce healthcare resources in one manner is their unavailability to fund alternative beneficial services.
- All economic evaluations have a common structure which involves explicit measurement of inputs (**'costs'**) and outcomes (**'benefits'**).
- Health economics can help to inform and improve decision-making through the systematic and objective application of '**applied common sense**'.
- Such 'applied common sense', which symmetrically balances costs and benefits, represents a valuable mode of thinking for **decision-makers**, irrespective of whether a formal economic evaluation is undertaken.

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