Ten arguments for a social perspective

1. Consistent with the theoretical foundations for social cost benefit analysis

A societal perspective for economic evaluation is the classic approach to assessing the profitability of societal investments.

- This is e.g. the standard approach in the assessment of different environmental, and transport safety programmes affecting health.
- There is no reason why economic evaluation of programmes affecting health in the health care sector should deviate from this standard.
- Adopting a payer instead of a social perspective will create a bias against investments in improved health through health care spending.

The social welfare function

- \( U(H, Y) \)
- We compare states of the world
  \( (H^*, Y-dY) > U(H, Y) \)
  And thus \( H^* = H + dY \) is the ICER

While we may argue about the other arguments in the social welfare function, and that the ICER for specific decision makers, i.e. NICE and NHS, may differ from the social ICER.

We should agree that it is a relevant concept as a basis for economic evaluation as an aid to decision making about allocation of resources for health.

"Cost–benefit analysis is a widely used technique of applied welfare economics, which is used to throw light on the social/desirability of undertaking an economic project. A project can be defined as an act of investment, introduction of a new commodity or a change in policy."

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3. If health gains are valued from a social perspective, so should costs

- It is not logical to have a social perspective on health benefits and not costs
- Cost-effectiveness analysis can be performed within a specific budget perspective if outcome is services, not health
  - Productivity analysis
- Why should health effects measures as QALYs be included, but not the value of the costs avoided which was spent to compensate for them

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4. A restricted payer perspective will lead to suboptimal decisions for allocation of resources:

- Switching costs to other parties may make an investment attractive
  - Prevention within and outside the health care sector
- What is within and outside the budget is a policy decision
- Costs outside the budget period is not counted
- How do we know if a consequence has an impact on the budget or not?

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5. Empirical studies support the risk of suboptimal decisions based on restricted view of benefits

### Alzheimer's disease

Hypothetical innovation offering a 50% reduction in disease progression for three years

<table>
<thead>
<tr>
<th>Modal simulation: lifetime costs of care, with and without treatment</th>
<th>No treatment</th>
<th>Treatment</th>
<th>Difference</th>
<th>% of cost savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>49,159</td>
<td>49,393</td>
<td>235</td>
<td>0%</td>
</tr>
<tr>
<td>Direct medical</td>
<td>146,371</td>
<td>128,670</td>
<td>-17,701</td>
<td>17%</td>
</tr>
<tr>
<td>Community care</td>
<td>515,476</td>
<td>448,490</td>
<td>-66,986</td>
<td>66%</td>
</tr>
<tr>
<td>Informal care</td>
<td>245,371</td>
<td>228,044</td>
<td>-17,327</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>956,377</td>
<td>855,158</td>
<td>-101,219</td>
<td>100%</td>
</tr>
</tbody>
</table>
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6. Payer perspectives cannot be defined in a consistent way, and thus QALYs will not have a consistent definition either.

Definition of the budget is often arbitrarily

- All health care costs both now and in the future
  - Including health care costs in added years of life
- Health care costs for a defined period only
  - Not including costs outside the studied disease
- In most countries there are several budgets
  - Difficult to define a consolidated budget, particularly in regionalized health care systems

Problem to measure and interpret QALYs if they should include external costs

- “Make sure that all benefits and costs are included, but only once” – Alan Williams (1976)
- “All changes in real resources should be measured and they can be classified in
  - Changes in service production
  - Changes in resources used by patients and their helpers
  - Changes in the gross domestic product
  - Alan Williams (1981)

A fixed budget is inconsistent with decisions made on a threshold for cost per QALY

- The WTP for a QALY may vary over time and between diseases, groups of patients and the technology used
  - These valuation have and should have impact on budgets
- Research on the “value of a QALY” is meaningless unless the cost per QALY ratio is clearly and properly defined
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- 9. Specific payer perspectives can be included in the social perspective
- 10. A social perspective supports democratic decisions

**Within a social perspective you can differentiate the perspective to address specific policy issues**

- A specific payer perspective is more interesting when related to the social perspective
  - Incentives related to the distribution of costs and benefits
- Difficult to know in advance which perspective is most relevant
  - HTA studies used in different countries for different decision makers

**The final argument**

- The HTA is not the decision - it is a help to make better decisions
- In all countries it is the population at large who both pays for and receive the benefits of new technologies
- A broad societal perspective on value, i.e. costs and benefits, facilitate informed discussion and decisions about access and use of new medical technologies

**Points for discussion**

- Welfare economics or other theoretical base
- The relevance of a budget constraint
- Methodological issues in estimated external costs
- Social perspective: bias in favour of innovation?
- The role of an economic evaluation as an input to “deliberations”