The Economics of Health: How do we decide?

But is it cost effective?

New improved treatment!

A new drug, Treatment A, has become available. Preliminary advertising mentions better quality of life and better survival rates for patients than Drug D which is the existing recommended treatment for the condition. However A costs more than D, so does it offer sufficient additional benefit to be recommended by NICE?

> *NICE uses an ICER (Incremental Cost Effectiveness Ratio) threshold of 30,000 in evaluating new treatments. If the ICER for a new treatment is more than 30,000 it would require strong justification to be approved.*

$$ICER = \frac{C_A - C_D}{q_A - q_D}$$

where C_A and C_D are the costs of drugs A and D respectively, and q_A and q_D are the Heath (QALY) gains for A and D respectively.

	D	A
Cost per patient per year (£)	2,100	
Gain in QALY (compared to doing nothing)	0.42	0.46

1. At what price would A be acceptable to NICE?

2. What percentage increase is this on the cost of D?

3. What is the increase in QALYs? What is this as a percentage increase on the QALYs afforded by D?

4. If A is priced at an additional 75% of the cost of D, what gain in QALY (compared to D) would it need to be acceptable?

5. If you were a journalist covering health issues for a quality paper or the BBC, what would you want to include in your story? What would your headline be?

6. How about if you were a tabloid journalist?