
Contents

<i>List of Tables</i>	<i>page</i> viii
<i>List of Figures</i>	ix
<i>List of Boxes</i>	x
<i>Acknowledgments</i>	xi
1 Introduction	1
FRANK A. SLOAN	
Major objectives of this book	2
What is cost-effectiveness/cost-benefit analysis?	3
Chapter plan	6
Description of specific chapters	7
2 Evidence of effectiveness: evaluating its quality	15
ALLAN S. DETSKY	
Nature of the evidence	15
Quality of the evidence	19
Extensions of effectiveness evidence required for estimation of cost-effectiveness	25
Summary	29
3 Utility assessment for estimating quality-adjusted life years	31
ROBERT M. KAPLAN	
Conceptual framework	32
The concept of relative importance	33

	The concept of utility	35
	Methods for assessing utility	37
	Psychological versus economic models	41
	Cognitive limitations	44
	Whose preferences should be used in the model?	49
	Fixed versus variable preference models	53
	Application and criticism: the Oregon experiment	53
	Summary	59
4	Measuring costs	61
	DAVID DRANOVE	
	Ideals and realities in cost measurement	61
	Practical advice for measuring costs	69
	Summary	75
5	From cost-effectiveness ratios to resource allocation: where to draw the line?	77
	MILTON C. WEINSTEIN	
	The basic cost-effectiveness model	78
	Cost-effectiveness ratios from different perspectives	81
	Incremental cost-effectiveness analysis	84
	Determining a critical ratio	91
	Cost-benefit or cost-effectiveness analysis?	96
	Conclusion	96
6	Valuing health care benefits in money terms	99
	MARK V. PAULY	
	Standards and definitions	100
	The need and settings for analysis	103
	What difference does money make?	106
	Measuring benefits	111
	Problems with willingness-to-pay measures	117
	Insurance and cost-benefit analysis	121
	Conclusion	122
7	Discounting health effects for medical decisions	125
	W. KIP VISCUSI	
	The rationale for discounting	128
	Problems with the failure to discount	134
	Discounting and medical decisions under uncertainty	136
	Modeling and estimating rates of discount for health	140

Contents	vii
Conclusion	143
Appendix: Experimentation contexts with biased risk perceptions	144
8 Statistical issues in cost-effectiveness analyses	149
JOHN MULLAHY AND WILLARD MANNING	
Estimation issues	151
Problems in using administrative data	174
Inferences in cost-effectiveness analysis	179
Conclusion	182
9 Decision trees and Markov models in cost-effectiveness research	185
EMMETT KEELER	
Decision trees	186
Modeling long-term consequences	189
Appendix: Further reading	204
10 The use of cost-effectiveness/cost-benefit analysis in actual decision making: current status and prospects	207
FRANK A. SLOAN AND CHRISTOPHER J. CONOVER	
Alternative methods of allocating health resources under constraints	207
Current applications of cost-effectiveness/cost-benefit analysis in health policymaking	218
A brief research agenda	231
<i>Notes</i>	233
<i>References</i>	245
<i>Index</i>	269