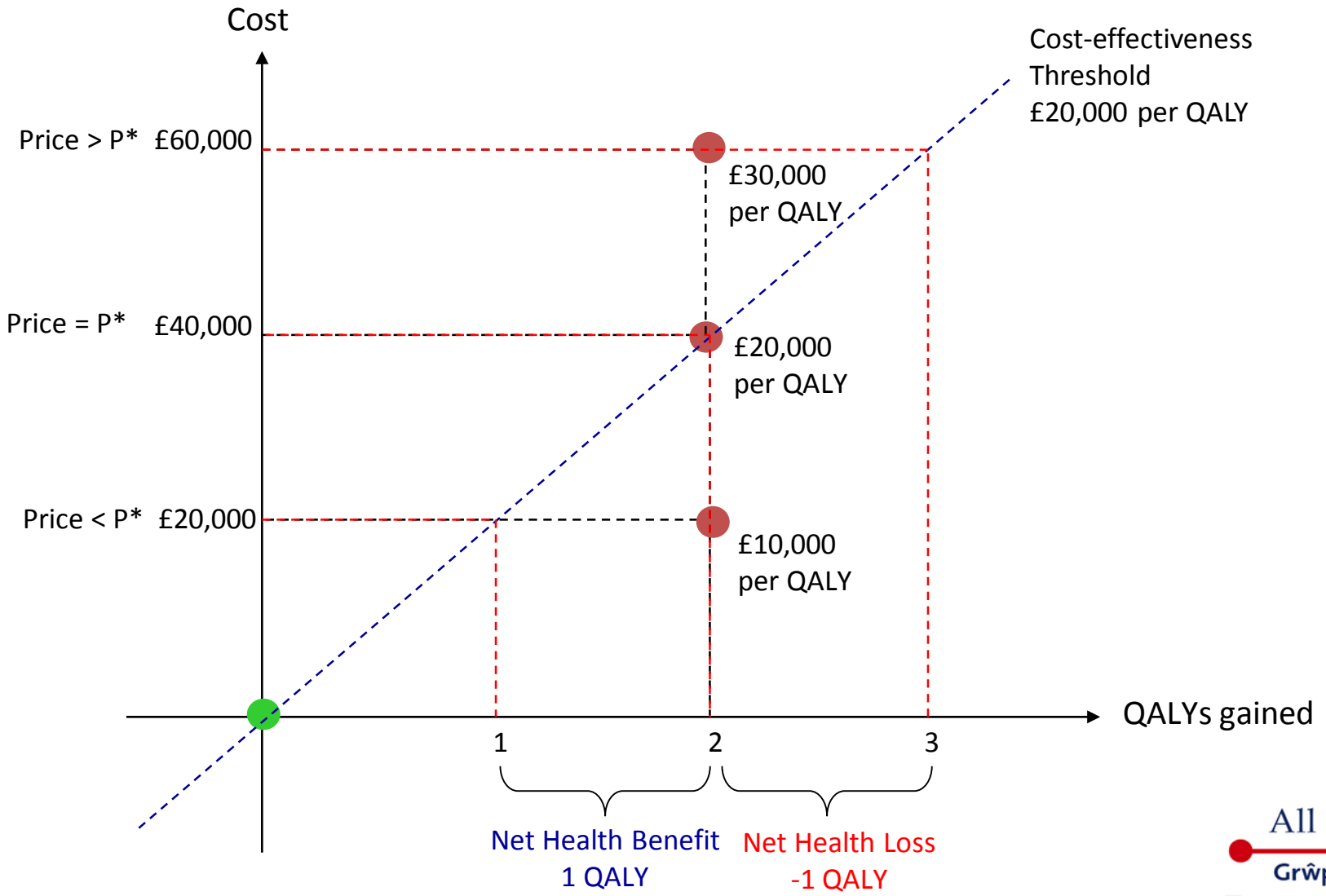
Professor Karl Claxton, Professor of Health Economics at York University

Key Speaker

Health opportunity costs

Implications for decision making

How much can we afford to pay for health benefits?



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Cost-effectiveness ‘thresholds’

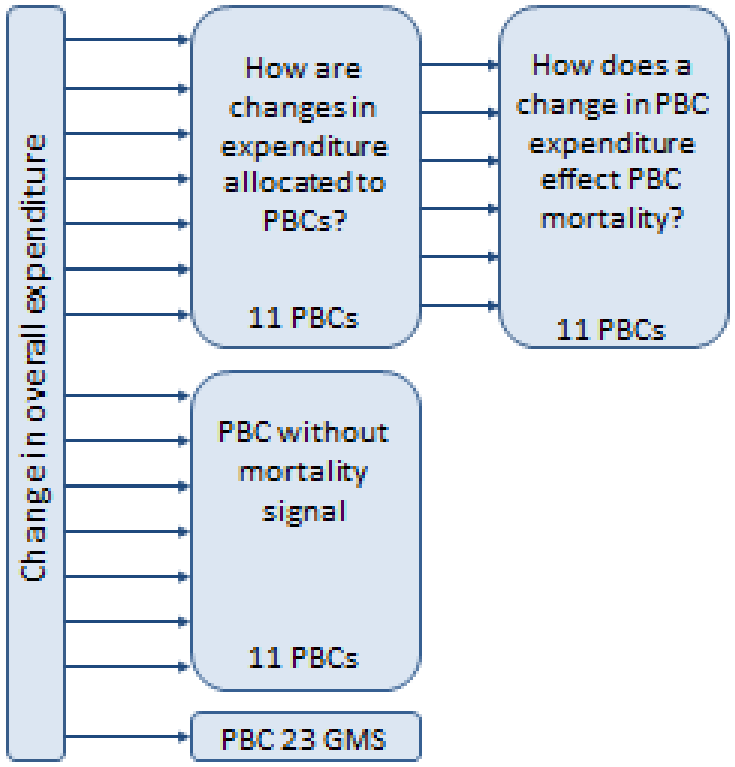
Norms describing how recommendations are made

- NICE (2004), £20,000 to £30,000 per QALY
- Does not reject below £30,000 per QALY
- Evidence that the effective threshold is £42,000 per QALY
- In some circumstances £50,000 per QALY

Health opportunity costs (supply side)

- What we must give up to accommodate a proposed investment
- What else could have done with the additional resources required
- Health effects of changes in health expenditure

How can we estimate health opportunity costs?



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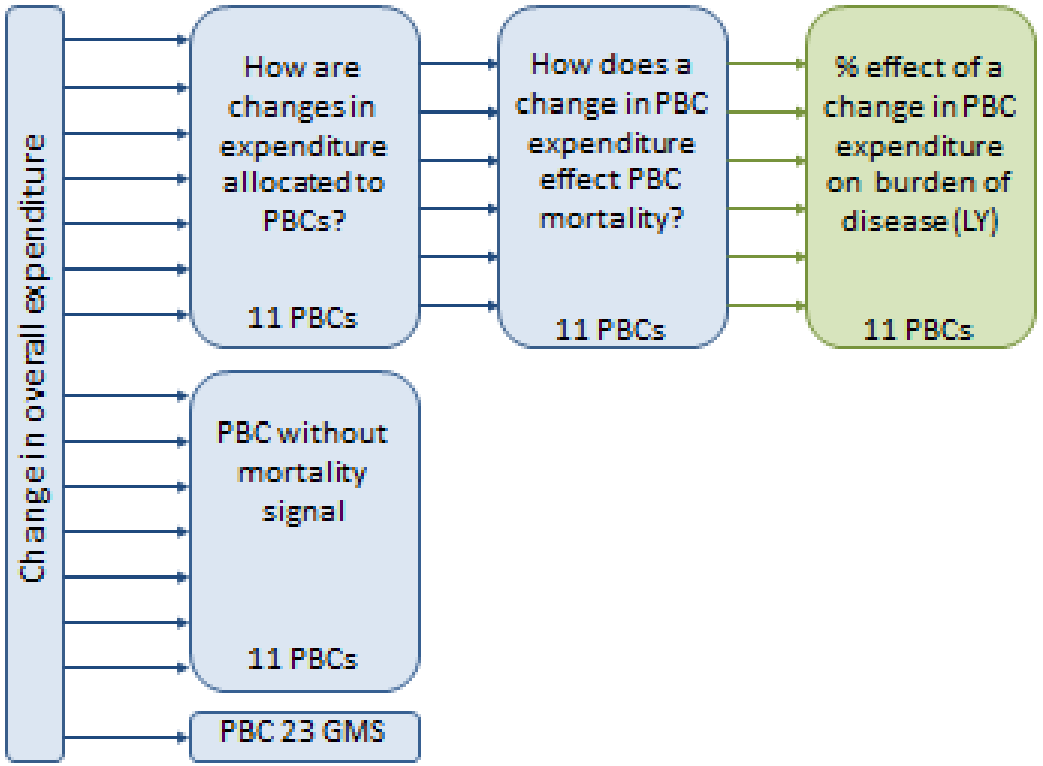

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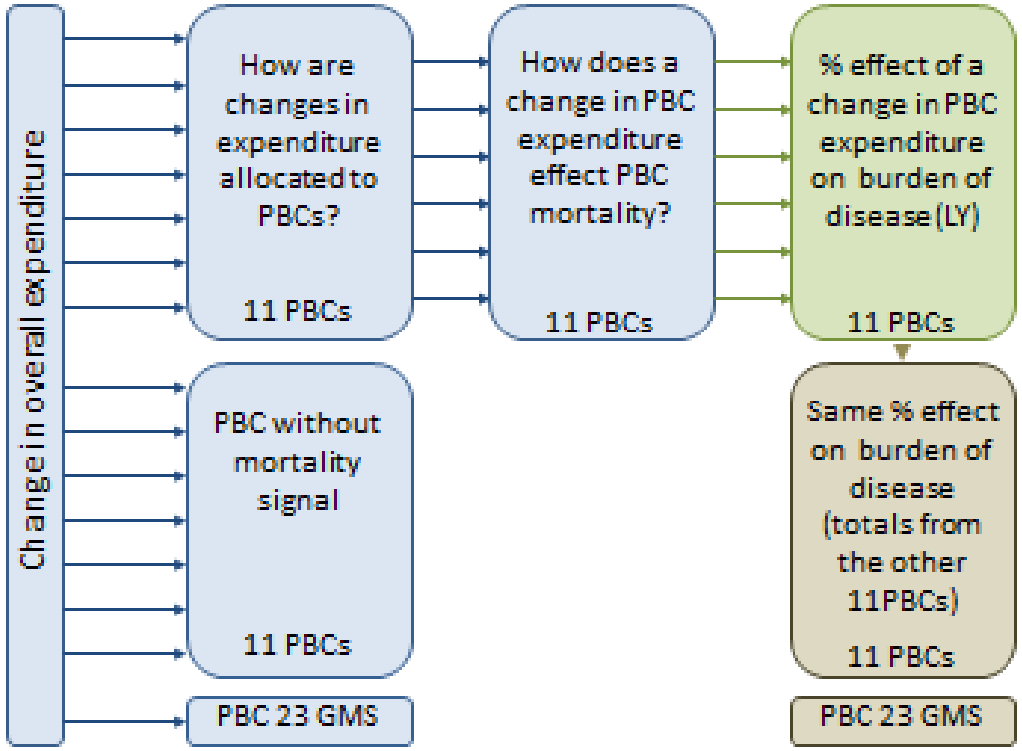

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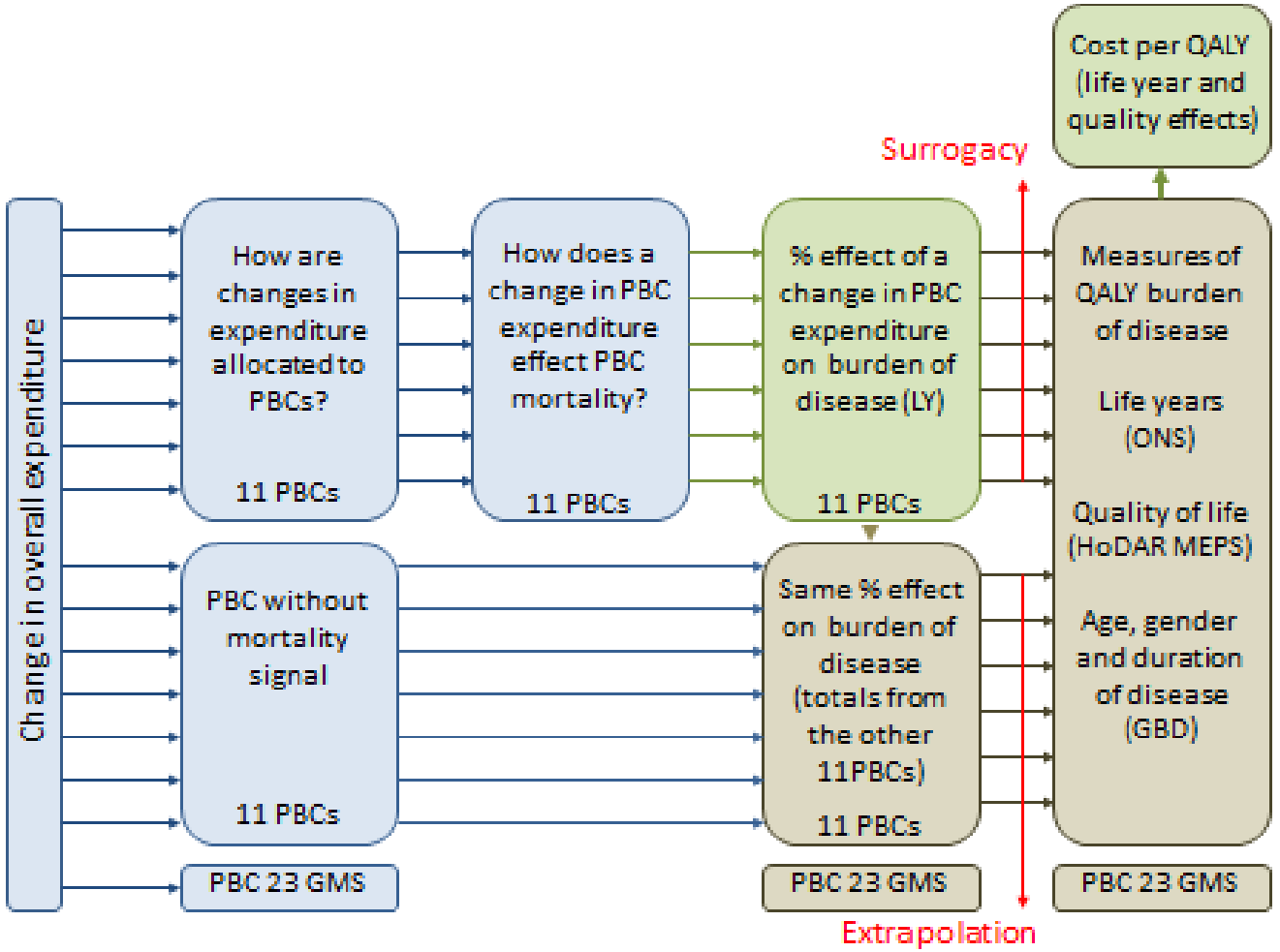

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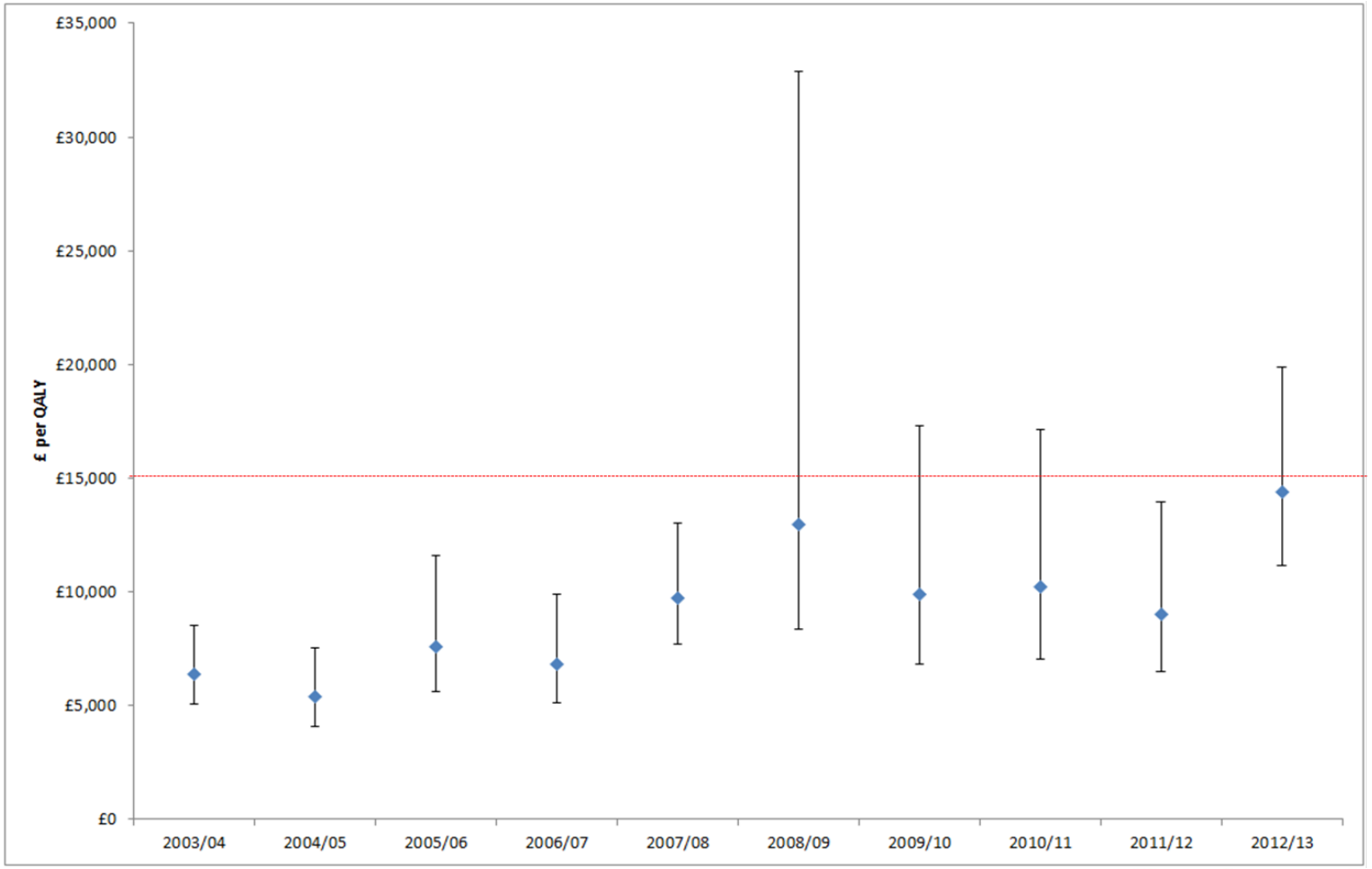
What are the expected health consequences of £10m?

	Change in spend	Additional deaths	LY lost	Total QALY lost	Due to premature death	Quality of life effects
Totals	**10 (£m)**	**51**	**233**	**773**	**150**	**623**
Cancer	0.45	3.74	**37.5**	26.3	24.4	1.9
Circulatory	0.76	22.78	**116.0**	107.8	73.7	34.1
Respiratory	0.46	13.37	**16.1**	229.4	10.1	**219.3**
Gastro-intestinal	0.32	2.62	**24.7**	43.9	16.2	27.7
Infectious diseases	0.33	0.72	5.3	15.7	3.6	12.1
Endocrine	0.19	0.67	5.0	60.6	3.2	57.3
Neurological	0.60	1.21	6.5	109.1	4.3	**104.8**
Genito-urinary	0.46	2.25	3.3	10.6	2.1	8.5
Trauma & injuries*	0.77	0.00	0.0	0.0	0.0	0.0
Maternity & neonates*	0.68	0.01	0.4	0.2	0.2	0.1
Disorders of Blood	0.21	0.36	1.7	21.8	1.1	20.7
Mental Health	1.79	2.83	12.8	95.3	8.3	**87.0**
Learning Disability	0.10	0.04	0.2	0.7	0.1	0.6
Problems of Vision	0.19	0.05	0.2	4.2	0.2	4.1
Problems of Hearing	0.09	0.03	0.1	14.0	0.1	13.9
Dental problems	0.29	0.00	0.0	6.8	0.0	6.8
Skin	0.20	0.24	1.1	1.9	0.7	1.2
Musculo skeletal	0.36	0.39	1.8	23.2	1.2	22.1
Poisoning and AE	0.09	0.04	0.2	0.8	0.1	0.7
Healthy Individuals	0.35	0.03	0.2	0.7	0.1	0.6
Social Care Needs	0.30	0.00	0.0	0.0	0.0	0.0
Other (GMS)	1.01	0.00	0.0	0.0	0.0	0.0

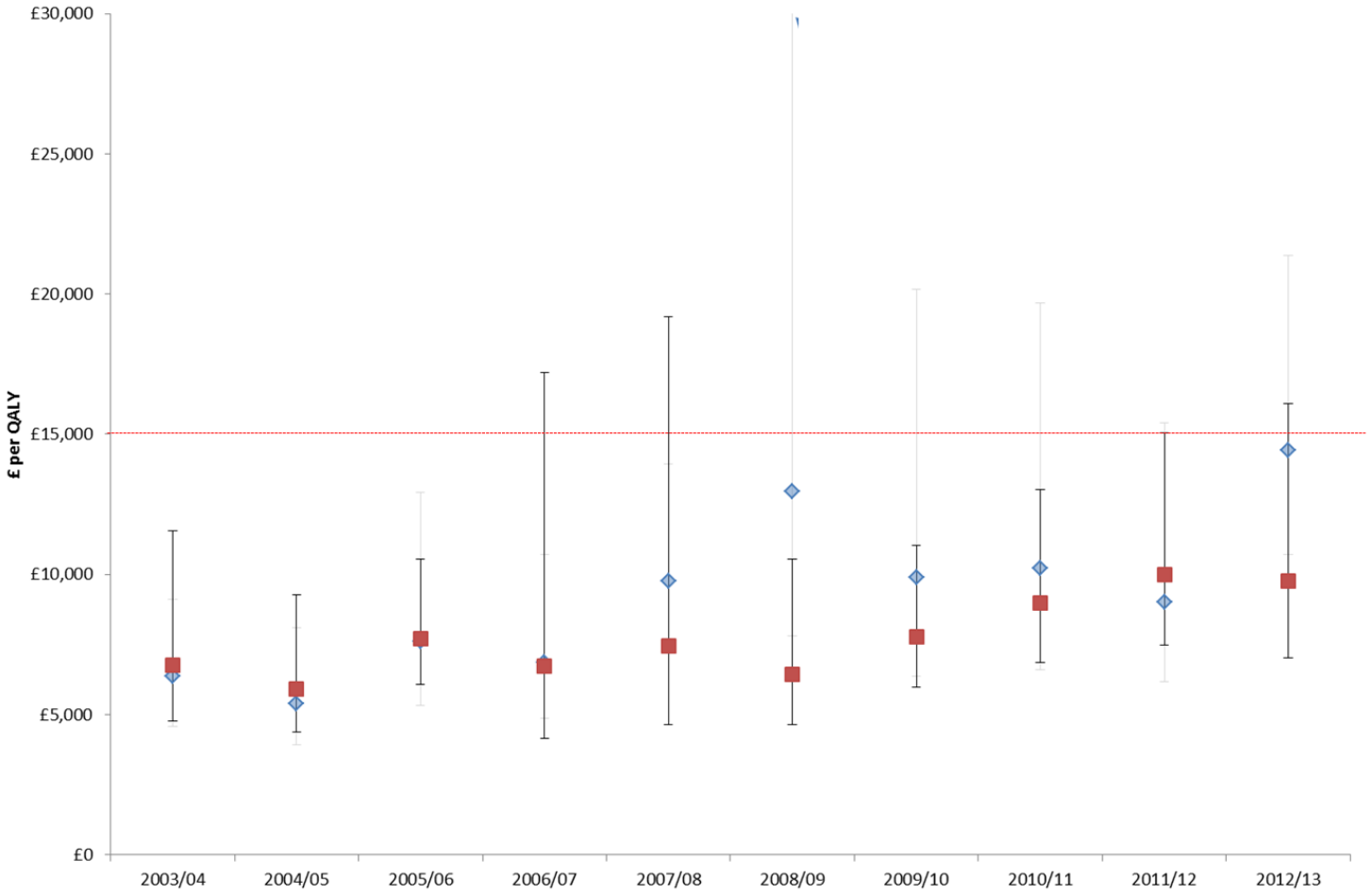
Recent estimates

- Scale of health opportunity costs
- Type of health effects (mortality, survival and morbidity)
- Where these are likely to occur (disease, age, gender)
- Severity of disease (burden, absolute and proportional)
- Net production effects (marketed and non marketed)
- Impact on health inequality
- Affordability and the scale of budget impact
- Elicitation from clinical and policy experts (surrogacy and extrapolation)
- Re-estimated for all waves of data

Re-estimated for all waves of data



Alternative approach to identification



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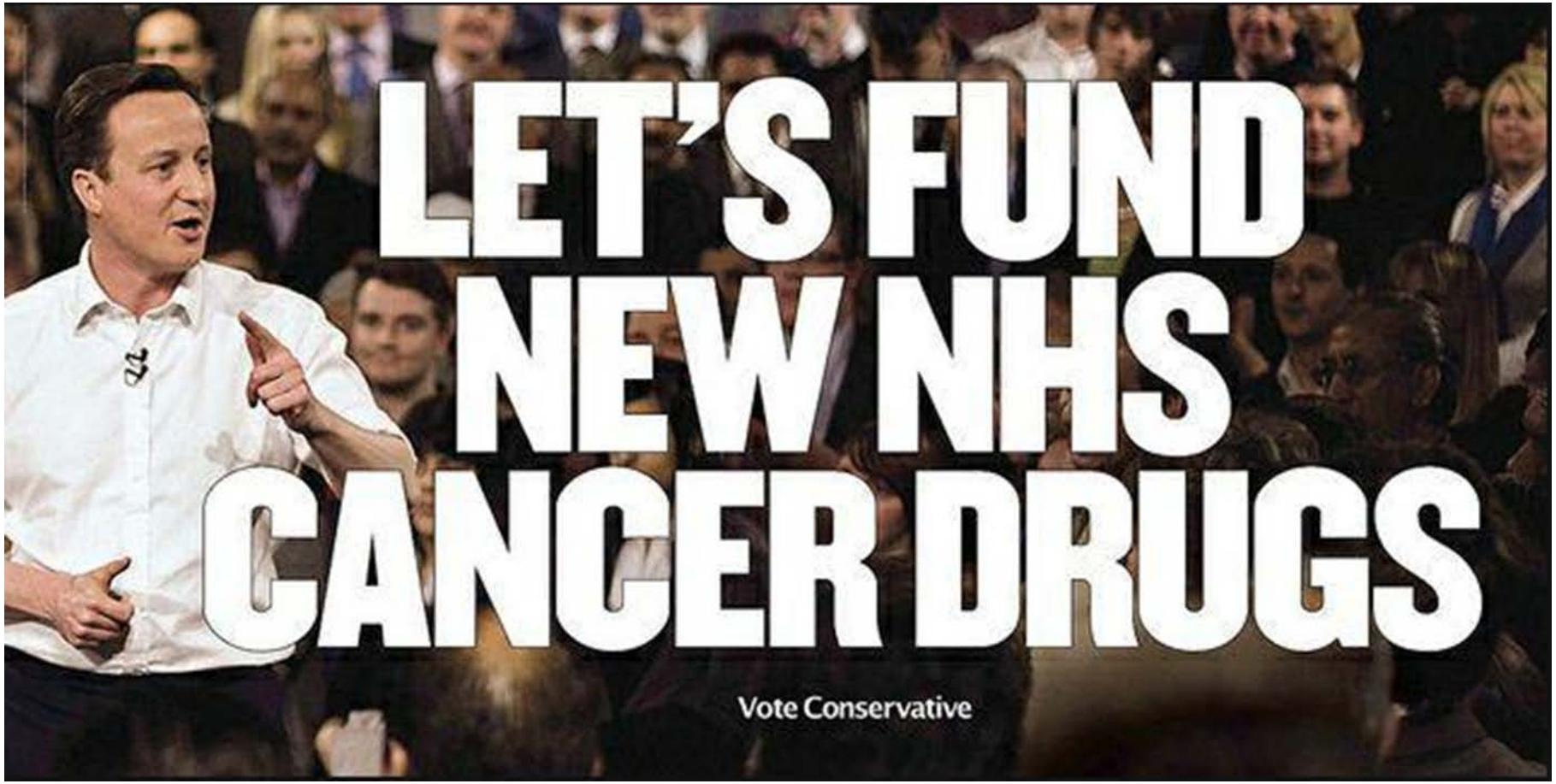
Is NICE doing more harm than good?

For every £10m of additional NHS costs

Cost-effectiveness of a new drug	Health gained (QALYs)	Health lost (QALYs)	Net harm to NHS patients
£20,000 per QALY	500	773	-273
£30,000 per QALY	333	773	-440
£40,000 per QALY	250	773	-523
£50,000 per QALY	200	773	-573

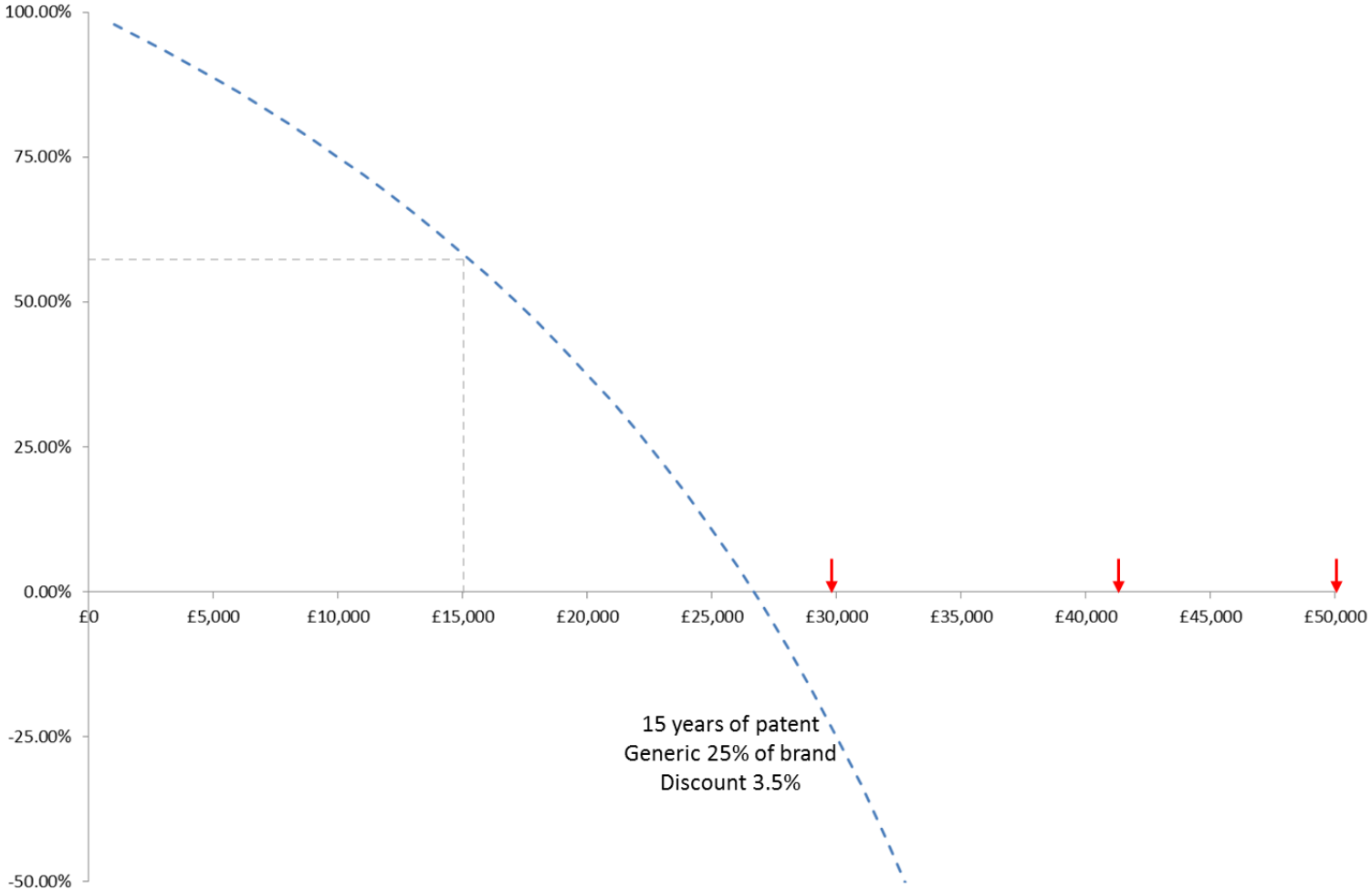
Promises can be costly



Harm done by the Cancer Drugs Fund

	Budget	Benefits of CDF (QALYs)*	Health lost elsewhere (QALYs)	Net harm to NHS patients
2013/14	£231m	3,374	17,821	-14,447
2014/15	£280m	4,098	21,645	-17,547
2015/16	£340m	4,977	26,283	-21,306

But cheaper generics in the future?



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Implications for UK policy

NICE

- NICE guidance is currently doing more harm than good
- Paying significantly too much not for new drugs

Pharmaceutical pricing

- Require, predictable, accountable evidence based pricing
- National value based rebate mechanisms
- Better ways to encourage valuable innovation

Accountable and ethical decisions

- Makes unidentified NHS patients more real
- Exposes reality of the choices faced with current resources
- Contribute to informed debate (the NHS is good value)

Thank you

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