

Economic Evaluation in the Context of an NHS: The Case for a Fairness Focused Framework

Presented by

Professor Jeffrey Richardson

Date: Wednesday 7th May 2008
Time: 1:00-2:00pm
Venue: RB Scotton Room
2nd Floor, Building 75
Monash University, Clayton



In this seminar I argue that there are theoretical and empirical errors in the measurement of both benefits and costs in the cost effectiveness ratio used in economic evaluation.

Economic evaluation is justified by the belief that there is a logical and empirically relevant connection between recommended policies and social objectives. In the case of economic evaluation, theory should connect our policy criterion – maximising net present value - with social welfare. In mainstream economics the logical justification is in terms of Welfare Theory. From among the smorgasbord of problems with this theory one stands out. Virtually all policies distribute benefits. To overcome this obstacle the concepts of Pareto efficiency and potential compensation are employed to justify policy. In the context of an NHS these concepts are midway between problematical and foolish. Nevertheless they probably explain the overwhelming emphasis upon efficiency and almost total neglect of fairness in evaluation studies. This occurs despite the fact that in virtually every country an NHS of one sort or other has been established for reasons of fairness in the distribution of benefits between people.

I argue that economics has adopted a paradigm which focuses attention upon what is described as efficiency (but is not) to the neglect of fairness. I argue that to maximise social welfare it is necessary to appreciate social values and that these must be obtained empirically ('Empirical Ethics') and not by assumption. Empirical results are reported suggesting that the economist's emphasis upon utility as an endpoint neglects values associated with duty to others and community (values that are unsurprising for a race that evolved from herd to clan/community existence). These values are culturally formalised under the title 'fairness'. Results suggest a range of quantitatively important fairness based benefits presently omitted from evaluation studies.

Presenter

Jeff Richardson is a Professor in the Faculty of Business and Economics at Monash University and Foundation Director of its Centre for Health Economics. He is an Adjunct Associate of Stanford University and Honorary Professor at the University of South Australia. His research interests have included comparisons of international health care systems and health system reform, the econometric modelling of hospital and medical supply, demand and medical fees, cost-effectiveness and cost-utility analysis, the effects of privatisation and regulation in the health sector, health care technology and its diffusion, and the modelling of quality of life with multi-attribute utility instruments. Professor Richardson has worked with the World Health Organization, the Australian Development Assistance Bureau and the Rockefeller Foundation and chaired the recent review of the Tasmanian Hospital System.

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