

# Centre for Health Economics

## Seminar Series

### **‘The impossibility of an ideal metric for benefit measurement and how we should select one.’**

Presented by

#### **Professor Jeff Richardson**

**Date:** Wednesday 4<sup>th</sup> July 2007  
**Time:** 1:00-2:00pm  
**Venue:** RB Scotton Room  
2<sup>nd</sup> Floor, Building 75  
Monash University  
Clayton, 3800



There has been an ongoing debate in the health economics literature about the choice of metric for measuring benefits in the health sector. Drawing upon public choice theory, this paper proposes an impossibility theorem: there is no ideal metric for measuring quality of life or the outcome of health interventions. Different metrics generate winners and losers and judgement is required. However, there is no satisfactory way of making this judgement that allows one option to be considered best, at least as judged by the criteria used by Arrow in his famous (voting) Impossibility Theorem (AIT). It is argued that the “solution” to this problem does not involve “solving” the AIT or using its insights to guide subsequent analyses. It is suggested that, despite the avalanche of publications following AIT, the useful insights are very limited and, in retrospect, not particularly surprising. Rather, it is argued that the theoretical basis for selecting metrics should be sought from within a different analytical paradigm which explicitly includes what has elsewhere been described as Empirical Ethics.

#### **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. He was the Foundation Director of the Centre for Health Program Evaluation and Acting Director of the ANU based Health Research Unit. He has worked as a consultant for WHO, Australian and State Health Departments and the Australian Development Assistance Bureau (ADAB).

His research interests have covered most aspects of health economics, including 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, health care technology and its diffusion, and the modelling of quality of life with multi-attribute utility instruments, social preferences and ethical issues relating to resource allocation. He presently holds a 5 year NHMRC Professorial Fellowship and concurrently a VicHealth Fellowship to continue his research into social objectives and the allocation of health care resources. He recently chaired a Review of the Tasmanian Hospital System (‘The Richardson Report’, Released 29 June 2004).

**VISITORS ARE MOST WELCOME. The Seminar Series is free of charge. For confirmation of your attendance and further information please telephone 9905 0733 or email [che@buseco.monash.edu.au](mailto:che@buseco.monash.edu.au)**