Glossary of Terms

Analytic horizon. The period over which all costs and outcomes are considered in an economic analysis.

Analytic perspective. The viewpoint chosen for a given analysis, including a viewpoint of society, the government, the health care system or the payer.

Cost-effectiveness analysis (CEA). Tool for estimating the relative cost and benefits of a program or intervention, with effects measured in health outcomes.

Cost-effectiveness ratio. The incremental cost of obtaining a unit of health effect from a given health intervention when compared with an alternative.

Cost-effectiveness threshold. An estimate of what a consumer of health care might be prepared to pay for the health benefit, given other competing demands on that consumer’s resources. Cost-effectiveness thresholds (CETs) are typically used to assess whether an intervention is worthwhile.

Costs. The monetary value of resources needed to produce a good or service; once allocated, these resources are not available for use elsewhere. Private costs are the costs that the buyer of a good or service pays the seller. Social costs, also called externalities, are the costs that people other than the buyers are forced to pay, often through non-pecuniary means, as a result of a transaction.

Economic efficiency. The optimal production and consumption of goods and services. This generally occurs when prices of products and services reflect their marginal costs, or when marginal benefits equal marginal costs.

Economic evaluation. The comparative analysis of the costs and consequences of two or more options.

Effectiveness. The benefit of using a technology, program, or intervention to address a specific problem under general or “real world” conditions, as opposed to under controlled conditions.

Efficacy. The benefit of using a technology, program or intervention to treat a particular problem under ideal or controlled conditions, such as in a clinical trial.
Efficiency. The ability to obtain the maximum possible benefit given the resources available.

Efficient frontier. A curve formed by the incremental cost-effectiveness or cost-utility ratios in a graphical representation of the non-dominated comparators.

Extended (weak) dominance. An intervention that is dominated when its incremental CE ratio is higher than that of the next most effective intervention. Its effectiveness is produced at a higher marginal cost.

Health economics. A scientific discipline that seeks to apply the principles and rules of economics in health care.

Health technology. An intervention developed to prevent, diagnose or treat medical conditions, promote health, provide rehabilitation, or organize healthcare delivery.

Incremental cost. The difference between the cost of an option and the cost of another option with which it is compared.

Incremental cost-effectiveness ratio (ICER). The ratio of the difference in costs between two alternatives to the difference in effectiveness between the same two alternatives.

League table. A list of interventions ordered by their incremental cost-effectiveness ratios. If the incremental cost-effectiveness ratios for most interventions are known, a league table can theoretically be used to maximize the number of lives saved within a given health budget.

Net benefit. The benefit of an option in monetary units, minus its total cost in monetary units. [Note: Net benefit is a basic decision criterion in benefit-cost analysis (BCA).]

Perspective. The viewpoint from which a cost-effectiveness analysis is conducted.

Priority setting. The assignment of an order of priority based on explicit or implicit criteria for selection of health technologies for assessment.

Shopping spree. The shopping spree problem is an example of the basic (non-competing choice) cost-effectiveness model: there are a number of available programs, for which net costs and net effectiveness have been evaluated; there is a limited budget; and the decision maker's objective is to maximize the total net effectiveness (health benefit) of the programs selected.

Societal perspective. A viewpoint for conducting a cost-effectiveness analysis that incorporates all costs and all health effects regardless of who incurs the costs and who obtains the effects.

Strong dominance. If an intervention is both less effective and more costly than the next most effective alternative, the intervention is considered “strongly dominated” and eliminated from consideration of funding on economic grounds.
Technical efficiency. The ability to produce the most or the best effects with a specified level of resources.

Total cost. The sum of all costs associated with a given activity.

**Bibliography Key**


HTA Glossary. HTA Glossary.net. [Link](#).


Health Systems Strengthening Glossary. World Health Organization 2016. [Link](#).