
Contents

| | |
|--|-----|
| Contents | vii |
| Preface | xi |
| Glossary | xv |
| 1 Introduction to health economic evaluation | 1 |
| 1.1 Introduction | 1 |
| 1.2 Health economic evaluation | 2 |
| 1.2.1 Clinical trials versus decision-analytical models | 5 |
| 1.3 Cost components | 6 |
| 1.3.1 Perspective and what costs include | 6 |
| 1.3.2 Sources and types of cost data | 7 |
| 1.4 Outcomes | 9 |
| 1.4.1 Condition specific outcomes | 10 |
| 1.4.2 Generic outcomes | 10 |
| 1.4.3 Valuing outcomes | 13 |
| 1.5 Discounting | 17 |
| 1.6 Types of economic evaluations | 18 |
| 1.6.1 Cost-minimisation analysis | 18 |
| 1.6.2 Cost-benefit analysis | 19 |
| 1.6.3 Cost-effectiveness analysis | 22 |
| 1.6.4 Cost-utility analysis | 22 |
| 1.7 Comparing health interventions | 25 |
| 1.7.1 The cost-effectiveness plane | 27 |
| 2 Introduction to Bayesian inference | 29 |
| 2.1 Introduction | 29 |
| 2.2 Subjective probability and Bayes theorem | 31 |
| 2.2.1 Probability as a measure of uncertainty against a standard | 31 |
| 2.2.2 Fundamental rules of probability | 33 |
| 2.2.3 Coherence | 34 |
| 2.2.4 Bayes theorem | 36 |
| 2.3 Bayesian (parametric) modelling | 38 |
| 2.3.1 Exchangeability and predictive inference | 40 |
| 2.3.2 Inference on the posterior distribution | 43 |

| | | |
|------------|---|------------|
| 2.4 | Choosing prior distributions and Bayesian computation | 48 |
| 2.4.1 | Vague priors | 49 |
| 2.4.2 | Conjugate priors | 54 |
| 2.4.3 | Monte Carlo estimation | 59 |
| 2.4.4 | Non conjugate priors | 62 |
| 2.4.5 | Markov Chain Monte Carlo methods | 63 |
| 2.4.6 | MCMC convergence | 66 |
| 2.4.7 | MCMC autocorrelation | 68 |
| 3 | Statistical cost-effectiveness analysis | 75 |
| 3.1 | Introduction | 75 |
| 3.2 | Decision theory and expected utility | 76 |
| 3.2.1 | The problem | 76 |
| 3.2.2 | Decision criterion: maximisation of the expected utility | 78 |
| 3.3 | Decision making in health economics | 80 |
| 3.3.1 | Statistical framework | 81 |
| 3.3.2 | Decision process | 83 |
| 3.3.3 | Choosing a utility function: the net benefit | 84 |
| 3.3.4 | Uncertainty in the decision process | 89 |
| 3.4 | Probabilistic sensitivity analysis to parameter uncertainty | 91 |
| 3.5 | Reporting the results of probabilistic sensitivity analysis | 93 |
| 3.5.1 | Cost-effectiveness acceptability curves | 94 |
| 3.5.2 | The value of information | 97 |
| 3.5.3 | The value of partial information | 100 |
| 3.6 | Probabilistic sensitivity analysis to structural uncertainty | 103 |
| 3.7 | Advanced issues in cost-effectiveness analysis | 107 |
| 3.7.1 | Including a risk aversion parameter in the net benefit | 107 |
| 3.7.2 | Expected value of information for mixed strategies | 111 |
| 4 | Bayesian analysis in practice | 115 |
| 4.1 | Introduction | 115 |
| 4.2 | Software configuration | 116 |
| 4.3 | An example of analysis in JAGS/BUGS | 117 |
| 4.3.1 | Model specification | 118 |
| 4.3.2 | Pre-processing in R | 118 |
| 4.3.3 | Launching JAGS from R | 121 |
| 4.3.4 | Checking convergence and post-processing in R | 122 |
| 4.4 | Logical nodes | 127 |
| 4.5 | For loops and node transformations | 129 |
| 4.5.1 | Blocking to improve convergence | 133 |
| 4.6 | Predictive distributions | 135 |
| 4.6.1 | Predictive distributions as missing values | 138 |
| 4.7 | Modelling the cost-effectiveness of a new chemotherapy drug in R/JAGS | 141 |

Contents

ix

| | | |
|----------|--|------------|
| 4.7.1 | Programming the analysis of the EVPPI | 146 |
| 4.7.2 | Programming probabilistic sensitivity analysis to structural uncertainty | 149 |
| 5 | Health economic evaluation in practice | 153 |
| 5.1 | Introduction | 153 |
| 5.2 | Cost-effectiveness analysis alongside clinical trials | 154 |
| 5.2.1 | Example: RCT of acupuncture for chronic headache in primary care | 155 |
| 5.2.2 | Model description | 155 |
| 5.2.3 | JAGS implementation | 157 |
| 5.2.4 | Cost-effectiveness analysis | 159 |
| 5.2.5 | Alternative specifications of the model | 161 |
| 5.3 | Evidence synthesis and hierarchical models | 165 |
| 5.3.1 | Example: Neuraminidase inhibitors to reduce influenza in healthy adults | 169 |
| 5.3.2 | Model description | 171 |
| 5.3.3 | JAGS implementation | 172 |
| 5.3.4 | Cost-effectiveness analysis | 177 |
| 5.4 | Markov models | 178 |
| 5.4.1 | Example: Markov model for the treatment of asthma | 182 |
| 5.4.2 | Model description | 186 |
| 5.4.3 | JAGS implementation | 187 |
| 5.4.4 | Cost-effectiveness analysis | 189 |
| 5.4.5 | Adding memory to Markov models | 193 |
| 5.4.6 | Indirect estimation of the transition probabilities . | 195 |
| | References | 199 |
| | Index | 211 |