

PHARMAC's updated guidelines for cost-utility analyses, with new QALYs per \$1M metric

PHARMAC has recently updated the Prescription for Pharmacoeconomic Analysis (PFPA)—the document that outlines the methods PHARMAC uses when conducting cost-utility analysis (CUA). The updated document is available at <http://www.pharmac.govt.nz/2012/06/26/PFPAFinal.pdf>¹

The PFPA has high importance to PHARMAC as it describes the approach we take when doing CUA. PHARMAC uses CUA to compare the cost-effectiveness of a pharmaceutical with other pharmaceuticals that could be funded instead. CUA is a form of cost-effectiveness analysis that considers the impact of treatment on patients' quality of life as well as length of life. In addition, PHARMAC CUAs also include effects elsewhere on the New Zealand health sector, such as potential savings from reduced hospitalisations that may occur as a result of funding a pharmaceutical.² This type of analysis is imperative, as cost-effectiveness is one of nine decision criteria that PHARMAC uses to make funding decisions.³

The first version of the PFPA was drafted in 1999, and a revised second version was published in 2007 (PFPA Version 2.0).⁴ Subsequently a number of its recommendations have been reviewed, and several minor changes have been made to the second version. These changes are documented in Appendix 1 of the updated PFPA.¹

The key amendment to the PFPA is that results of CUAs are to be reported using incremental utility cost ratios (IUCRs),⁵ i.e. the incremental quality-adjusted life year (QALY) gains per unit net cost.⁶ These reflect the opportunity cost of investment decisions when operating within a fixed budget,^{7,8} and are expressed as QALYs per \$1 million of the total budget invested (see Footnote *).

In addition to this amendment, version 2.1 of the PFPA provides further information on factors to consider when critically appraising clinical trials and the transformation of clinical evidence in economic modelling.

PHARMAC will continue to review and update its methodology for undertaking cost-utility analysis. We welcome any further feedback.

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Footnote:

* The traditional measure used to calculate and present the results of CUAs has been ICURs (incremental cost-utility ratios, being the incremental cost per QALY). This long-established metric was reported by PHARMAC in the past and is still typically reported for most CUAs internationally. However, PHARMAC considers that IUCRs are more consistent with PHARMAC's funding setting as they better emphasise health gain, by presenting the result as maximising health gains as opposed to minimising cost. In addition, this approach better illustrates the trade-offs between treatment due to the non-linear relationship between QALYs per million and cost per QALY.⁹

References:

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