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Economic evaluation is crucial to ensure the successful rollout of the NHI – UCT professor



Professor Edina Sinanovic

Photo: Lerato Maduna

The University of Cape Town's (UCT) Professor Edina Sinanovic – who has done numerous cost-effectiveness studies on alternative, preventative and diagnostic treatment and healthcare interventions – has highlighted the importance of economic evaluation in ensuring the successful rollout of the National Health Insurance (NHI).

Professor Sinanovic recently presented her lecture in the UCT Inaugural Lecture series under the title, "Getting the most out of life – understanding the opportunity cost of your decisions".

According to Sinanovic, economics is the science of choice and choices are made on the basis of benefits and cost. So, whether you're deciding how many doughnuts to buy from your favourite doughnut store or whether government officials are deciding on how much to spend on healthcare, in the end, it all comes down to decision-making.

But ultimately, if the benefits of decisions are greater than the cost, then there's a need to provide more of the same services. If the benefits are less than the cost, then fewer services are necessary. And if the benefits equal the cost, then continue providing the same services at the same level, advised Sinanovic.

Sinanovic is a professor of health economics, the head of the Health Economics Division and the acting director of the Health Economics Unit (HEU) in UCT's School of Public Health based in the Faculty of Health Sciences.

"I've done numerous cost-effectiveness studies of alternative, preventative and diagnostic treatment and healthcare interventions for a number of diseases and devices. But in particular, focusing on TB and HPV vaccines. I love health economics; I think it's a wonderful discipline. It's extremely useful and extremely applicable because the questions we ask are relevant and are becoming more and more interesting in the next couple of decades as the National Health Insurance (NHI) and the health sector reform in this country evolves," she said.

Economics in healthcare

As her lecture got under way, Sinanovic quoted the late Professor Gavin Mooney, the recipient of a 2009 UCT honorary doctorate and one of the founding fathers of health economics in South Africa, whose work contributed to the establishment of the HEU: "Can it be right to bring the hard-headed logic of economics to issues of health and illness, suffering and death? Of course, it is! If we don't, the pain and suffering will be greater than they need to be."

Therefore, Sinanovic pointed out, all decisions related to public policy necessitate that the benefits exceed the cost. And establishing a healthcare policy is not just about saving lives. It also directly relates to the number of lives that can be saved with the resources available. So, what decision-makers need to evaluate the feasibility of healthcare policies is a health technology assessment (HTA) – a systematic, explicit and evidence-based approach to priority setting. This approach, she explained, highlights the strong ethical basis of ensuring that the interventions defined in the NHI's health benefits package (HBP) are cost-effective and fair.

"The HTA is a multidisciplinary approach to evaluating new technology. It looks at all sorts of different aspects of that new technology. And technology can be anything from a drug to a new medical device, to a way of delivering an intervention, to public health interventions. Anything that we actually need to pay for," Sinanovic said.

Economic evaluation

Economic evaluation is an important component of the HTA and has been the focus of Sinanovic's research over the past 25 years. But how does her work fit into the bigger HTA picture? She said she has the task of exploring and evaluating the cost and cost-effectiveness of health sector reforms. These deal with change in equity, efficiency, quality,

financing and sustainability in healthcare. It also defines priorities, refines policies, and reforms institutions where new polices were implemented.

“Economic evaluation is a comparison of costs and benefits of an alternative course of action. We can compare different interventions in terms of the cost and benefits in order to make some kind of recommendation of whether a new technology should be adopted or not,” she said.

And the type of analysis health economists often use is the cost-effectiveness analysis (CEA), which Sinanovic described as a method of constrained maximisation. What this means is that economists cannot decide if something is cost-effective if resources and budgets are not restricted. But because budgets are always limited and resources are often finite, a framework is needed to decide how cost-effective new interventions really are. This analysis, Sinanovic explained, includes using a set of tools to help economists inform decision-making. She said a CEA also guides decisions related to resource allocation in healthcare. Therefore, using a CEA across the full range of patient populations and sub-populations, all of whom have the potential to access care, is necessary when designing the HBP.

“Over the last 25 years I used economic analysis as a formal research tool to identify and evaluate interventions that are cost-effective, have the potential to improve health, access to care and quality of life,” she said.

Learning and reflection

As Sinanovic reflected on her career and her work in the field to date, she said she has learned several important lessons:

- adopt a two-perspective approach in economic evaluations – incorporating both the healthcare and societal perspectives may result in better decision-making
- disease-specific priority setting is limited; therefore, health economists need to consider system and population-wide approaches for disease prevention, screening and treatment
- health system constraints like human resources need to be reflected in a CEA
- offer more consideration to distributional cost-effectiveness analysis, which refer to cost-effectiveness vs equity vs poverty reduction, and include non-health benefits in future studies.

She told the audience that economic evaluation is crucial to ensure the successful rollout of the NHI. But implementing a few fundamental components is necessary beforehand. These, she said, include a national level funding plan to adequately support the NHI; robust data systems; mechanisms tailored for cost data submissions using standard methods; regularly updating data to inform assessments and policy decisions; raising added awareness on the importance of local costing data; and upskilling and training more health economists and disease modelers.

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