

CONTENT

Introduction	5
1 Introduction to cost theory	9
1.1 Central concepts	9
1.2 Cost classifications	12
1.2.1 Costs classified according to the purpose of the decision	12
1.2.2 Costs classified according to variability	17
1.2.3 Costs classified according to referability	20
1.2.4 Activity-based costing (ABC)	24
2 Accounting for costs in health economic evaluation	27
2.1 The differences between health economic evaluation and budget analysis	27
2.1 The definition of health economic evaluation	30
2.2.1 Design considerations for health economic evaluation	31
2.3 The steps for estimating costs for health economic evaluation	37
2.3.1 Developing a flow diagram or process maps	38
2.3.2 Identification of the types of resources	38
2.3.3 Measuring the amount of resources used	38
2.3.4 Valuation of the individual resource items	41
2.3.5 Estimation of total and average costs	46
2.3.6 Execution of sensitivity analysis	46
2.4 Five typical issues when accounting for costs	52
2.4.1 Estimation of labor costs	53
2.4.2 Discounting	54
2.4.3 Annuitization of capital expenditures	57

2.4.4 Inclusion of productivity costs	59
2.4.5 Inclusion of overhead and direct costs in estimates of marginal savings	62
3 Instructive solutions	65
4 Important terminology	77
5 References	81
Appendix 1. Discount table. Present value of future single amounts	83
Appendix 2. Discount table. Present value of annuity in arrears	85