

USING ECONOMIC EVIDENCE TO INFORM INVESTMENTS IN CHILDREN, YOUTH, AND FAMILIES

COMMON QUESTIONS	TYPE OF ANALYSIS TO ANSWER QUESTION	REQUIREMENTS FOR COST ASSESSMENT	REQUIREMENTS FOR OUTCOME ASSESSMENT
<p>What is the cost of the resources to fully implement a given intervention for a specified time period?</p>	<p>Cost analysis (CA)</p>	<p>Comprehensive measure of the intervention's costs from a societal perspective^a</p>	
<p>What is the cost to achieve a unit change in a given outcome (e.g., one more high school graduate) of an intervention?</p>	<p>Cost-effectiveness analysis (CEA)</p>	<p>Comprehensive measure of the intervention's costs to society^a</p>	<p>Measures of the intervention's impact at a given point in time in natural units</p>
<p>What is the amount of a given outcome generated per dollar spent to implement an intervention?</p>			<p>Optionally, the monetary valuation of market outcomes</p>
<p>What is the cost for an intervention to achieve a unit change in a given measure of quality of life (e.g., personal well-being)?</p>	<p>CEA using a quality-of-life measure (also known as cost-utility analysis)</p>	<p>Comprehensive measure of the intervention's costs to society^a</p>	<p>Examination of one (or more) unmonetized outcome(s) at a time in a given natural unit</p>
<p>What is the amount of quality of life (e.g., QALYs or DALYs) generated per dollar spent to implement an intervention?</p>			<p>Conversion of outcomes to a measure of quality of life (e.g., QALYs or DALYs)</p>
<p>For an intervention, what is the ratio of benefits to costs to society?</p> <p>Is the investment a justifiable use of scarce resources?</p> <p>What are the net benefits to society?</p> <p>What is the internal rate of return to society?</p>	<p>Benefit-cost analysis (BCA)</p>	<p>Comprehensive measure of the intervention's economic costs to society^a</p>	<p>Measures of the intervention's impacts at each point in time in natural units</p> <p>Market prices or "shadow prices" of the value to society of all outcomes^a</p>

COMMON QUESTIONS	TYPE OF ANALYSIS TO ANSWER QUESTION	REQUIREMENTS FOR COST ASSESSMENT	REQUIREMENTS FOR OUTCOME ASSESSMENT
<p>For an intervention, what is the ratio of benefits to costs for the stakeholder(s)?</p> <p>What are the net benefits to the stakeholder(s)?</p> <p>What is the internal rate of return to the stakeholder(s)?</p>	Return-on-Investment (ROI) analysis (also known as cost savings analysis)	Comprehensive measure of the intervention's economic costs to the stakeholder(s)	Measures of the intervention's impacts at each point in time in natural units Market prices or "shadow prices" of the value to the stakeholder(s) of all outcomes
<p>What is the impact, of an intervention, year-by-year, on the government budget?</p> <p>What is the impact in the aggregate and for specific budget components?</p>	Budgetary impact analysis (BIA) (a special case of cost savings analysis)	Comprehensive measure of the intervention's economic costs to the government sector	Measures of the intervention's impacts at each point in time in natural units Market prices or "shadow prices" of the value to the government sector of all outcomes
How great would the impacts of an intervention have to be in order to break even (i.e., to pay back the intervention's cost)?	Break-even analysis	Comprehensive measure of the intervention's economic costs to society or to the stakeholder(s)	Market prices or "shadow prices" of the value to society or to the stakeholder(s) of all outcomes

NOTES: All measures of intervention cost and impact are relative to a baseline condition.

^aAlthough the societal perspective is a desirable goal, other perspectives need to be considered as well, including the perspectives of program participants, other nonparticipants affected by the program, and/or, the government or public sector. BCA results can be particularly informative when the societal perspective is disaggregated to show these sub-perspectives. For more discussion on this topic, please visit www.nas.edu/EconForKids to review Chapter 3 of the report.

KEY TERMS:

- **DALY (disability-adjusted life year):** A general measure of disease burden on quantity of life lived; 1 lost year of "healthy" life equates to 1 DALY.
- **Impact:** A change in outcome(s) that can be attributed to an intervention.
- **Intervention:** A term used to represent the broad scope of interventions, programs, practices, and policies that are relevant to children, youth, and families.
- **Outcome:** An attitude, action, skill, behavior, etc. that an intervention is intended to causally influence.
- **QALY (quality-adjusted life year):** A general measure of disease burden on the quality and quantity of life lived; 1 year in perfect health equates to 1 QALY.
- **Shadow price:** Estimated true value of a resource or impact or cost of the results of a particular decision; calculated when no market price is available or when market prices do not reflect the true value.
- **Societal perspective:** Captures the public sector and the private sector; this includes all stakeholders who have some relationship to an intervention as bearers of costs or as beneficiaries, as well as those who may be affected only indirectly.