

*The Implications of Cost-Effectiveness
Analysis of Medical Technology:
Methodological Issues and Literature
Review*

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Foreword

This volume is a background paper for OTA'S assessment, *The Implications of Cost-Effectiveness Analysis of Medical Technology*. That assessment analyzes the feasibility, implications, and usefulness of applying cost-effectiveness and cost-benefit analysis (CEA/CBA) in health care decisionmaking. The major, policy-oriented report of the assessment was published in August 1980. In addition to the main report, there will be five background papers: 1) the present document which addresses methodological issues and reviews the CEA/CBA literature, 2) a psychotherapy case study, 3) a diagnostic X-ray case study, 4) 17 other case studies of individual medical technologies, and 5) a review of international experience in managing medical technology. Another related report was published in September of 1979: *A Review of Selected Federal Vaccine and Immunization Policies*.

Background Paper #1: Methodological Issues and Literature Review, parts of which are based substantially on work done for OTA by Dr. Kenneth Warner of the University of Michigan, was prepared by OTA staff. In preparing this paper, OTA consulted with members of the advisory panel to the overall assessment; with the authors of the case studies prepared for the assessment; and with numerous other experts in economics, medicine, ethics, and health policy.

Drafts of this paper were reviewed by the advisory panel chaired by Dr. John Hogness, by the Health Program Advisory Committee chaired by Dr. Frederick Robbins, and by approximately 75 other individuals and groups representing a wide range of disciplines and perspectives. We are grateful for their assistance.

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