

Concepts in Economic Evaluation
Problem Set #1

Consider the following hypothetical scenario...

Suppose faith-based institutions had been offering small group discussions about HIV to attempt to prevent HIV transmission in inner city areas for some time, but no one had ever performed an economic evaluation. Individuals do not have to pay money to attend these sessions. You are part of a team that is preparing to conduct an economic evaluation.

- (1) What scarce resource do participants need to use to take part in the small group discussions?

- (2) Suppose you had resources to follow individuals who had participated or not participated for 2 years. Please list five types of resources with monetary value that you could measure in the two years?

- (3) Suppose all epidemiological data you could possibly need were available to develop a model, but that you wanted to develop the most parsimonious model possible and not necessarily have everyone go through the model until death. At what even might it be reasonable to end such a model? Please justify.

- (4) What type of economic evaluation (cost-consequence, cost-effectiveness, cost-utility or cost-benefit) do you think would be most appropriate? Please justify.

- (5) What economic concept might an economist use to argue that it would be worth subsidizing faith-based organizations to provide these small group discussion sessions?
