Cost-Benefit Analysis: Framework and Case Examples

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There has been a shift in the mental health services landscape from capitation to regional accountable entity (RAE). Capitation is the reimbursement method for health and associated services where the provider is paid a fixed monthly amount for expected services. While the RAE is a pay per service model. Within this new landscape, mental health programs need to demonstrate their benefits and effectiveness compared to their cost. Funders as well as mental health center leadership need to make strategic decisions about the programs they support and implement, respectively.

The Aurora Research Institute (ARI), a subsidiary of the Aurora Mental Health Center (AuMHC), has developed a comprehensive cost-benefit analysis framework, which was primarily informed by Measuring and Improving Cost, Cost-Effectiveness, and Cost-Benefit for Substance Abuse Treatment Programs: A Manual by Brian Yates. It is a careful accounting of resources used by mental health programs and shows the true value and costs of providing the various services. With access to the services, outcomes, and financial information housed in electronic health record systems as well as other information that is usually stored in data warehouses (e.g., human resources, staff credentials, volunteers, grant information –among others-- ) it is possible to assemble and produce the data that may be used for cost-benefit analysis on a regular basis. The framework identifies cost measures, defines these cost measures, and establishes the relationship between costs and benefits. The steps in conducting the different levels of analysis include:

* Develop/Review theory of change
* Develop/Review logic model
* Programmatic mapping
* Account for all types of resources
* Document activities by personnel (both direct and indirect)
* Identify objective effectiveness measures
* Identify subjective effectiveness measures
* Calculate benefits

For more information on this approach, please consult the following manual:

Yates, B. T. (1999). Measuring and improving cost, cost-effectiveness, and cost-benefit for substance

abuse treatment programs. *Bethesda, Maryland: Report for the National Institute on Drug Abuse, Division of Clinical and Service Research.*