

Programme Budgeting Marginal Analysis

(from NMDHB District Annual Plan 2008/09)

PBMA is practical decision-making tool using economic principles to maximise benefits for the community from scarce health service resources. The tool has been used in over 100 studies in Canada, Australia, New Zealand, & the UK. PBMA guides decision-makers through a series of questions aimed at:

- Identifying how resources are currently allocated
- How resources can be shifted or re-allocated to better meet a pre-defined set of decision criteria

PBMA studies typically consist of seven steps to address these questions (see below)

Following the application of PBMA within organisations interviewers have stated decision-makers have consistently found that the framework not only results in better allocation of scarce resources but also provides a vehicle for improving the evidence base upon which decisions are made.

STEPS IN A PBMA STUDY

1. **Determine the aim and scope of the priority setting exercise:** Determine whether PBMA will be used to examine changes in services within a given programme (micro/within programme study design) or between programmes (macro/between programme study design).
2. **Compile a “Programme Budget”:** The resources and costs of programmes may need to be identified and quantified, which, when combined activity information, is the programme budget.
3. **Form a priority setting “Advisory Panel”:** The panel is made up of knowledgeable key stakeholders (managers, clinicians, consumer’s etc.) involved in the priority setting exercise.
4. **Determine locally relevant decision-making criteria:** To be elicited from the advisory panel (e.g. maximising health outcomes, improving access and equity, reducing waiting times etc.), with reference to national, regional and local objectives, and specified objectives of the health system and the community.
5. **Identify options for (a) service growth (b) resource release from gains in operational efficiency (c) resource release from scaling back some services:** The programme budget, along with information on decision-making objectives, evidence on benefits from services, changes in local health care needs, and policy guidance, are used to highlight options for investment and disinvestment.
6. **Evaluate investments and disinvestment:** Evaluate in terms of costs and benefits and make recommendations for (a) funding growth areas with new resources (b) moving resources from 5 (b) and 5 (c) to 5 (a).
7. **Validate results and reallocate resources:** Re-examine and validate evidence and judgements used in the process and reallocate resources according to cost-benefit ratios and other decision-making criteria.