



COST-EFFECTIVENESS

achieving impact at an equal or lower cost to other sources of care

Metric: Cost (to the franchisor) per Disability Adjusted Life Years (DALYs) averted



Purpose of this briefing note:

This is a call to action for all programs to measure cost-effectiveness using a standardized measurement approach.

Intended audience: *Implementers, researchers, funders, or social franchise partner programs that provide health services.*

BACKGROUND

Social franchising is a model for organizing networks of private providers that deliver a range of quality-monitored health services that are known to improve health or avert disease or disability. There are at more than 70 known health service-related social franchise programs operating in at least 40 countries.

There is no universally accepted standard measure for calculating cost. The Metrics Working Group responds to this need by presenting a validated and feasible approach.

Cost-effectiveness is one of six essential goals put forward by the Metrics Working Group.

To learn more, visit www.m4mgmt.org.

Why measure cost?

Calculating the actual cost of running a social franchise program can help managers track how many resources are invested in operations over time, and with what results.

This is a departure from the commonly used method of estimating cost-effectiveness by calculating the ratio of donor contributions to program outputs. As programs decrease reliance on donor funds, this method of calculation is becoming less meaningful.

Why measure cost using a standardized metric?

Consistent use of the same metric will permit comparison across years, and across programs. This type of analysis can lead to better programmatic decision making.

How can cost be measured?

By adding up the direct and support costs of running a franchise program. This includes all costs associated with: administering a franchise program, any subsidies for health commodities, and any technical assistance or administrative support provided by a headquarters office.

Are there resources to support you in measuring cost-effectiveness?

Yes! Cost-effectiveness is calculated by dividing cost by health impact. This document provides guidance on how to calculate cost. Visit M4Mgmt.org to learn how to calculate health impact using the metric of DALYs averted.



Measure cost at little cost

The chart below offers guidance on how to calculate cost. The Metrics Working Group (MWG) designed this approach after testing it in three programs, and considering the variability across accounting systems.

Cost*	Programs that should factor in this cost	How to calculate this cost
Cost of support received from a global headquarters office	Franchise programs that receive technical support from a global headquarters office	This is calculated as 100X (total cost to operate the global headquarters office)/ (total cost of the global organization)
Cost of support received from the agency administering the program	Franchise programs that receive technical support from a parent agency	This is the total operational cost of the parent agency, multiplied by the approximate percentage of parent agency staff time allocated to support the franchise program.
Cost of discounts or subsidies on commodities that are sold to franchisees	Franchise programs that sell commodities to franchisees below purchase price	A subsidy is calculated as the cost to purchase the good minus the price of commodities sold directly to franchisees.
Cost of operating a social franchise program	All franchise programs	These are the costs that are directly attributable to the franchise program, such as training, field visit costs, etc.

*All values should be calculated from the same time period.

COST DATA USES

- Understand if service-delivery is becoming more efficient over time
- Identify which service-delivery models yield the greatest value for money
- More broadly, these data are useful for setting global benchmarks

ADDITIONAL RESOURCES

- Visit M4Mgmt.org for a link to the Population Services International Health Impact Calculator.
- Visit M4Mgmt.org to learn more about each of the six goals, the recommended metrics and how to measure performance.

Recommendation: Measure cost-effectiveness using the metric of cost (to the franchisor) per DALYs averted



The Metrics Working Group is supported by Metrics for Management. Visit www.m4mgmt.org to learn more.