

Developing Composite Indicators for Assessing Health System Efficiency

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ABSTRACT

There exist several dimensions along which health system efficiency might be measured, and numerous indicators of efficiency have been designed. Many such indicators do indeed capture important aspects of system behaviour, but each is to some extent partial, and as a result potentially misleading. Given the intense policy interest in system efficiency, the question therefore arises: can some form of aggregation of indicators yield a more satisfactory insight into system efficiency than the partial view offered by individual indicators? This paper examines the extent to which some sort of aggregation is possible and useful. It starts with a discussion of the purpose of developing indicators of health system efficiency, and introduces some of the key economic concepts associated with system efficiency. The paper then examines the rationale for moving from separate to composite indicators. It discusses four important elements of a composite indicator, namely: the separate dimensions to be measured, the selection of operational indicators to be used, the transformation of such indicators into common units, and the weights then to be applied to derive the composite indicator. The paper presents practical approaches to developing composite indicators, such as the frontier methods developed by economists. Concrete examples of operational composite indicators are discussed, and good (and bad) practice in the development of composite indicators is inferred. The paper concludes with a discussion of the circumstances in which composite indicators are useful, and the extent to which their development yields improvements over presentation of separate indicators.