

ABSTRACT

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The objective of the paper is to evaluate the economic argument for provision of Antiretroviral Drugs (ARV's). There are growing political, legal and budgetary pressures for countries to make tenable decisions regarding the purchase (by, or subsidised from, the state) of ARV's. An economic model describing the costs and benefits of ARV's would be useful in this decision-making process in South Africa. The ARV drugs have been very expensive, giving policymakers a dilemma because their purchase could lead to scarce financial resources being devoted to people living with AIDS (PWA's), thereby denying access to treatment and preventive services for those with other illnesses. It is thus important to establish that this type of care is, in fact, cost-effective and sustainable. Previous research has addressed the question only in relation to the cost-effectiveness of measures to prevent mother-to-child transmission by perinatal treatment. This paper therefore asks the question more generally: "*Under what price and other conditions would it be cost-effective to provide **full access** to antiretroviral drugs?*"

The research design adopts the following format: existing experiences of policy makers in developing countries generally are reviewed to ascertain what lessons have been learned to date regarding the use of ARV drugs. Using the Forsythe (1998) Costa Rica framework, a cost-benefit model for South Africa is developed, leading finally to the formal economic evaluation of economic costs and benefits of ARV therapy, which is placed in its political and institutional context.

The null hypothesis tested is an adaptation of the viewpoint of Soderlund et al., (1999) that the provision of ARV therapy to adults is not cost-effective, with the difference that, following Natrass and Skordis (2000), an effective answer to the null that the state cannot afford a national strategy is to show that the state cannot afford *not* to afford it. This can be demonstrated by an examination of the costs of providing, and not providing, antiretroviral drugs, and looking at the difference. My analysis may find that it would be more costly for the state *not* to fund such treatment, incurring the costs of patients' extended and expensive collapse in health, thereby ultimately draining more from other health needs.

When this issue of access can be resolved in developing countries, and South Africa in particular, the response of policy-makers to dismiss out-of-hand these drugs as being too expensive, or to argue that the purchase of other drugs should take priority, may be countered with a critical and rigorous examination. This would be one of the main contributions to knowledge. The proponents of ARV's have largely invoked political, ethical and human rights grounds for their positions, while opponents have used economic arguments; the expected result of the intended research would be to establish economic grounds, viz. that use of ARV's will lead to changes in:

- ◆ Treatment costs – drug procurements will lead to much higher costs (referring to high 1998 prices) but could be partially offset by decreases in the need for inpatient hospital visits.
- ◆ Productivity of individuals – expected to increase as workers extend their time within the workforce.
- ◆ The number of new infections – which could potentially be reduced if use of ARV's leads to reduction in infectivity (with caveats about ARV availability inducing more risky behaviour).