Markov_model_assignment

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In this document, we present the results from Assignment 4 where we conduct a cost-effectiveness analysis considering three strategies: 1) without treatment 2) with treatment but no end-of-life care, 3) with both treatment and end-of-life care. We then provide a table of cost and QALY of three strategies and report ICER for the three 2-way comparisons.

We have conducted a base case analysis. The structure of our model is as follows: 1. Define fixed variables and parameters for the model 2. Prepare state-specific per-cycle cost, qaly, and transitional cost matrix 3. Prepare transition probability matrix (this will change in simulation given age-specific mortality) 4. Prepare population matrix that keeps track of health state transition by cycle 5. Prepare a matrix ('trans') to record the transitional cost 6. Prepare empty matrices to record QALYs and Cost outcomes by cycle and by strategy 7. Define a function to calculate time-dependent transition probability based on age-specific mortality 8. Simulate a cohort for 'no drug' and 'drug' scenario 9. Calculate cost and qaly of each scenario 10. Calculate ICER 11. Plot

Basecase analysis

1. Define parameters

```
t_names <- c("without_drug", "with_drug", "with_drug_eol")#t_names : strategy/scenario label ## modified n_treatments <- length(t_names)#n_treatment: number of strategies

s_names <- c("Asymptomatic_disease", "Progressive_disease", "Dead")#s_names: vector of health states n_states <- length(s_names)#n_states: number of health states

n_cohort <- 1000#n_cohort: cohort size

cycle <- 1#cycle: cycle length

n_cycles <- 46#n_cylces: total number of cycles

Initial_age <- 55#Initial_age: age at the beginning of simulation

cAsymp <- 500#cAsymp: cost of having asymptomatic disease (per-cycle cost)

cDeath <- 1000#cDeath: cost of death (transitional cost), only applies to the death among progressive dcDrug <- 1000#cDrug: cost of having progressive disease (per-cycle cost)

cEol <- 500 #cEndcare: cost of new end of life care ## modified code

uAsymp <- 0.95#uAsymp: utility of having asymptomatic disease
uProg <- 0.75#uProg: utility of having progressive disease
```

```
cDr <- 0.06#cDr: discount rate for cost

tpDcm <- 0.15#tpDcm: excess mortality with progressive disease

tpDcm_r <- tpDcm*0.5 #excess mortality with progressive disease after EoL care

tpProg <- 0.01#tpProg: transition probability from asymptomatic to progressive disease

tpDn <- 0.0379 #pDn: baseline mortality <- mortality 0.0379 # over 65 year old

effect <- 0.5#effect: drug efficacy in decreasing the risk of progressing from asymptomatic to progress
```

2. Prepare cost, qaly, and transitional cost matrix. Note that the parameters defined in the previous block are used/called here cost and qaly matrix has the following structure row: strategies column: health states value: cost, qaly payoffs Transitional cost matrix has the following structure row: health states (departure state) column: health states(arrival state) value: transitional cost(toll)

```
## Asymptomatic_disease Progressive_disease Dead
## without_drug 500 3000 0
## with_drug 1500 3000 0
## with_drug_eol 2000 3000 0
```

matrix(c(0, 0, 0,

oDr <- 0.06#oDr: discount rate for galy

```
Asymptomatic_disease Progressive_disease Dead
## without_drug
                                   0.95
                                                        0.75
                                                                0
## with_drug
                                   0.95
                                                        0.75
                                                                0
## with_drug_eol
                                   0.95
                                                        0.75
                                                                0
# cost of moving to a state
# same for both treatments
trans_c_matrix <-</pre>
```

```
0, 0, cDeath,
0, 0, 0),
byrow = TRUE,
nrow = n_states,
dimnames = list(from = s_names,
to = s_names))
trans_c_matrix
```

```
##
                          to
## from
                           Asymptomatic_disease Progressive_disease Dead
##
     Asymptomatic_disease
                                                0
                                                0
                                                                     0 1000
##
     Progressive disease
##
     Dead
                                                0
                                                                          0
                                                                     0
```

3. Prepare transition probability matrix p_matrix is a time-dependent transition probability matrix when incorporating age-specific mortality, meaning that transition probability will depend on the age/cycle. Here we define p_matrix with a set of parameters.

Note: array is useful to create a multidimensional matrix. Here p_matrix has 3-dimensional matrix with (health states x health states) x strategies

```
# Transition probabilities ----
# time-homogeneous
p_{matrix} \leftarrow array(data = c(1 - tpProg - tpDn, 0, 0,
                            tpProg, 1 - tpDcm - tpDn, 0,
                            tpDn, tpDcm + tpDn, 1,
                            1 - tpProg*(1-effect) - tpDn, 0, 0,
                            tpProg*(1-effect), 1 - tpDcm - tpDn, 0,
                            tpDn, tpDcm + tpDn, 1,
                            1 - tpProg*(1-effect) - tpDn, 0, 0,
                            tpProg*(1-effect), 1 - tpDcm_r - tpDn, 0,
                            tpDn, tpDcm_r + tpDn, 1),
                  dim = c(n_states, n_states, n_treatments),
                  dimnames = list(from = s_names,
                                   to = s_names,
                                   t names))
p_matrix
```

```
##
   , , = without_drug
##
##
                          to
                           Asymptomatic_disease Progressive_disease
## from
##
     Asymptomatic_disease
                                         0.9521
                                                             0.0100 0.0379
##
     Progressive_disease
                                         0.0000
                                                              0.8121 0.1879
##
     Dead
                                         0.0000
                                                              0.0000 1.0000
##
##
      = with_drug
##
##
## from
                           Asymptomatic_disease Progressive_disease
     Asymptomatic_disease
                                                              0.0050 0.0379
                                         0.9571
##
```

```
##
     Progressive_disease
                                          0.0000
                                                                0.8121 0.1879
##
     Dead
                                           0.0000
                                                                0.0000 1.0000
##
##
        = with_drug_eol
##
##
                          to
## from
                           Asymptomatic_disease Progressive_disease
     Asymptomatic_disease
##
                                          0.9571
                                                                0.0050 0.0379
##
     Progressive_disease
                                           0.0000
                                                                0.8871 0.1129
##
                                           0.0000
     Dead
                                                                0.0000 1.0000
```

4. Prepare population matrix that keeps track of health state transition by cycle 'pop' matrix will record health state distribution in the population for each cycle by strategy (3-dimensional matrix: (n_states x n_cycles) x n_treatments)

In cycle = 1, everyone is in the asymptomatic disease state. The third dimension is not specified to apply the same operation to both treatment strategies

```
, , treatment = without_drug
##
##
                           cycle
                             [,1]
                                  [,2]
                                        [,3] [,4] [,5] [,6] [,7] [,8] [,9] [,10] [,11]
##
     Asymptomatic_disease 1000
##
                                    NA
                                          NA
                                               NA
                                                     NA
                                                          NA
                                                                NA
                                                                      NA
                                                                           NA
                                                                                  NA
                                                                                         NA
     Progressive_disease
                                0
                                    NA
                                          NA
                                                                NA
##
                                               NA
                                                     NA
                                                           NA
                                                                      NA
                                                                           NA
                                                                                  NA
                                                                                         NA
                                0
                                    NA
                                          NA
##
     Dead
                                               NA
                                                     NA
                                                          NA
                                                                NA
                                                                      NA
                                                                           NA
                                                                                  NA
                                                                                         NA
##
                           cycle
                             [,12]
                                   [,13] [,14] [,15] [,16]
                                                              [,17] [,18] [,19] [,20]
## state
##
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                 NA
                                                                        NA
                                                                              NA
     Asymptomatic_disease
##
     Progressive_disease
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                 NA
                                                                        NA
                                                                              NA
                                                                                     NA
##
     Dead
                                NA
                                      NA
                                             NA
                                                    NA
                                                          NA
                                                                 NA
                                                                        NA
                                                                              NA
                                                                                     NA
##
                           cycle
## state
                             [,21]
                                   [,22] [,23] [,24] [,25] [,26] [,27] [,28] [,29]
##
     Asymptomatic disease
                                NA
                                      NA
                                             NA
                                                    NA
                                                          NA
                                                                 NA
                                                                        NA
                                                                              NA
##
     Progressive_disease
                                NA
                                      NA
                                             NA
                                                    NA
                                                          NA
                                                                 NA
                                                                        NA
                                                                              NA
                                                                                     NA
##
     Dead
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                        NA
                                                                              NA
                                                                                     NA
##
                           cycle
                             [,30] [,31] [,32] [,33] [,34] [,35] [,36] [,37] [,38]
## state
                                             NA
                                                    NA
##
     Asymptomatic_disease
                                NA
                                      NA
                                                          NA
                                                                 NA
                                                                        NA
                                                                              NA
                                                                                     NA
```

```
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
     Dead
                                NΑ
                                       NΑ
                                              NΑ
                                                     NΑ
                                                           NΑ
                                                                  NΑ
                                                                         NΑ
                                                                                NΑ
                                                                                      NΑ
                            cycle
##
                             [,39]
                                           [,41]
                                                 [,42]
                                                       [,43]
                                                               [,44]
## state
                                    [,40]
                                                                      [,45]
                                                                             [,46]
##
     Asymptomatic_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
##
   , , treatment = with_drug
##
##
                            cycle
                             [,1]
                                   [,2] [,3] [,4] [,5] [,6] [,7] [,8] [,9] [,10] [,11]
##
   state
     Asymptomatic_disease 1000
##
                                     NA
                                          NA
                                                NΑ
                                                      NA
                                                           NA
                                                                 NA
                                                                       NA
                                                                            NA
                                                                                   NA
##
     Progressive_disease
                                     NA
                                          NA
                                                NA
                                                      NA
                                                           NA
                                                                 NA
                                                                       NA
                                                                            NA
                                                                                   NA
                                                                                          NA
                                0
##
     Dead
                                0
                                     NA
                                          NA
                                                NA
                                                      NA
                                                           NA
                                                                 NA
                                                                       NA
                                                                            NA
                                                                                   NA
                                                                                          NΑ
##
                            cycle
##
                             [,12] [,13] [,14] [,15] [,16] [,17] [,18] [,19] [,20]
   state
##
     Asymptomatic disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                               NA
##
     Dead
                                                                                      NA
##
                            cycle
## state
                             [,21] [,22] [,23] [,24] [,25] [,26] [,27]
                                                                            [,28] [,29]
##
     Asymptomatic_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NΑ
##
     Progressive disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
                                       NΑ
                                              NΑ
                                                     NΑ
##
     Dead
                                NA
                                                           NΑ
                                                                  NΑ
                                                                         NΑ
                                                                                NΑ
                                                                                      NA
##
                            cvcle
## state
                             [,30]
                                    [,31]
                                           [,32]
                                                 [,33]
                                                        [,34]
                                                               [,35]
                                                                      [,36]
                                                                             [,37]
                                                                                   [,38]
##
                                NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
     Asymptomatic_disease
                                       NA
                                                                                NA
                                                                                      NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
                                       NA
                                              NA
                                                    NA
##
     Dead
                                NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
                            cycle
##
  state
                             [,39] [,40] [,41] [,42] [,43] [,44] [,45] [,46]
##
     Asymptomatic_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
   , , treatment = with_drug_eol
##
##
                            cycle
##
                             [,1] [,2] [,3] [,4] [,5] [,6] [,7] [,8] [,9] [,10] [,11]
   state
##
     Asymptomatic disease 1000
                                     NA
                                          NA
                                                NA
                                                      NA
                                                           NA
                                                                 NA
                                                                       NA
                                                                            NA
##
     Progressive_disease
                                0
                                     NΑ
                                          NA
                                                NA
                                                      NA
                                                           NΑ
                                                                 NΑ
                                                                       NΑ
                                                                            NΑ
                                                                                   NΑ
                                                                                          NA
##
     Dead
                                0
                                     NA
                                          NA
                                                NA
                                                      NA
                                                           NA
                                                                 NA
                                                                       NA
                                                                            NA
                                                                                   NA
                                                                                          NA
##
                            cycle
##
                             [,12] [,13] [,14] [,15] [,16] [,17] [,18] [,19] [,20]
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
##
     Asymptomatic_disease
                                NA
                                                                                      NA
     Progressive_disease
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
##
                                NA
                                                                                NA
                                                                                      NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                     NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
                            cycle
## state
                                   [,22]
                                          [,23] [,24] [,25]
                                                               [,26]
                                                                     [,27]
                                                                            [,28] [,29]
                             [,21]
##
     Asymptomatic_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
                            cycle
```

```
## state
                             [,30] [,31] [,32] [,33] [,34] [,35] [,36] [,37] [,38]
##
                                       NA
                                              NA
                                                     NA
                                                                         NA
                                                                                NA
     Asymptomatic_disease
                                NA
                                                            NA
                                                                   NA
                                                                                       NA
##
     Progressive disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                            NA
                                                                   NA
                                                                          NA
                                                                                NA
                                                                                       NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                     NA
                                                            NA
                                                                   NA
                                                                         NA
                                                                                NA
                                                                                       NA
##
                            cycle
## state
                             [,39]
                                    [,40]
                                           [,41] [,42] [,43]
                                                               [,44]
                                                                      [,45]
                                                                             [,46]
##
     Asymptomatic_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                            NA
                                                                   NA
                                                                          NA
##
     Progressive_disease
                                NA
                                       NA
                                              NA
                                                     NA
                                                            NA
                                                                   NA
                                                                         NA
                                                                                NA
##
     Dead
                                NA
                                       NA
                                              NA
                                                     NA
                                                            NA
                                                                   NA
                                                                          NA
                                                                                NA
```

5. Prepare a matrix ('trans') to record total transitional cost per cycle by state 'pop' matrix records total number of people in each health state, whereas trans records the number of people who 'enter' the state and the cost imposed to those who newly enter the state

dimension: n_states x n_cycles x n_treatments (here n_states indicate 'destination state') For example, trans["asymptomatic", cycle=10, treatment='without drug'] indicates the "toll" or "transitional costs" imposed to those who arrived in the asymptomatic state at cycle 10 under the 'without drug' scenario

6. Prepare empty matrices to record QALYs and Costs outcomes by cycle and by strategy by cycle: cycle_costs, cycle_QALYs, cycle_QALE, LE, LYs (dimension: n_treatments, cycles) total: total_costs, total_QALYs (1xn_treatments)

```
##
                    cycle
## treatment
                     [,1]
                           [,2]
                                 [,3]
                                       [,4]
                                            [,5]
                                                  [,6]
                                                       [,7]
                                                             [,8]
                                                                   [,9] [,10]
                                                                                [,11]
##
     without drug
                       NA
                             NA
                                   NA
                                         NA
                                              NA
                                                    NA
                                                          NA
                                                                NA
                                                                     NA
                                                                            NA
                                                                                   NA
                                                                                          NA
##
     with_drug
                        NA
                             NA
                                   NA
                                         NA
                                              NA
                                                    NA
                                                          NA
                                                                NA
                                                                     NA
                                                                            NA
                                                                                   NA
                                                                                          NA
##
     with_drug_eol
                       NA
                             NA
                                   NA
                                         NA
                                              NA
                                                    NA
                                                          NA
                                                                NA
                                                                     NA
                                                                            NA
                                                                                   NA
                                                                                          NA
##
                    cycle
##
   treatment
                     [,13]
                            [,14]
                                   [,15]
                                          [,16] [,17]
                                                        [,18]
                                                               [,19]
                                                                     [,20]
                                                                            [,21]
##
     without_drug
                         NA
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
                         NA
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
     with_drug
##
     with_drug_eol
                         NA
                                NA
                                      NA
                                             NA
                                                    NA
                                                           NA
                                                                  NA
                                                                         NA
                                                                                NA
                                                                                      NA
##
                    cycle
## treatment
                     [,23] [,24] [,25] [,26] [,27] [,28] [,29] [,30] [,31] [,32]
```

```
##
     without_drug
                                                               NA
                                                                      NA
                                                                             NA
                                                                                   NA
                        NA
                              NA
                                     NA
                                           NA
                                                  NA
                                                         NA
##
                                                               NΑ
                                                                             NA
                                                                                   NΑ
     with_drug
                        NA
                              NA
                                     NA
                                           NA
                                                  NA
                                                         NΑ
                                                                      NΑ
     with_drug_eol
##
                        NA
                              NA
                                     NA
                                            NA
                                                  NA
                                                         NA
                                                               NA
                                                                      NA
                                                                             NA
                                                                                   NA
##
                   cycle
## treatment
                     [,33] [,34] [,35] [,36] [,37] [,38] [,39] [,40]
                                                                         [,41] [,42]
                                                                      NA
##
     without drug
                        NA
                                     NA
                                           NA
                                                  NA
                                                         NA
                                                               NA
                                                                                   NA
                              NA
##
     with_drug
                        NA
                              NA
                                     NA
                                           NA
                                                  NA
                                                         NA
                                                               NA
                                                                      NA
                                                                             NA
                                                                                   NA
##
     with_drug_eol
                        NA
                              NA
                                     NA
                                           NA
                                                  NA
                                                         NA
                                                               NA
                                                                      NA
                                                                            NA
                                                                                   NA
##
                   cycle
## treatment
                     [,43] [,44] [,45] [,46]
##
     without_drug
                        NA
                              NA
                                     NA
                                            NA
##
     with_drug
                        NA
                              NA
                                     NA
##
     with_drug_eol
                        NA
                              NA
                                     NA
                                           NA
cycle_state_costs <- cycle_trans_costs <- cycle_empty_array</pre>
cycle_costs <- cycle_QALYs <- cycle_empty_array</pre>
LE <- LYs <- cycle_empty_array
                                     # life expectancy; life-years
cycle_QALE <- cycle_empty_array</pre>
                                     # quality-adjusted life expectancy
total_costs <- setNames(c(NA, NA, NA), t_names)</pre>
total_QALYs <- setNames(c(NA, NA, NA), t_names)
```

7. Define a function to calculate time-dependent transition probability based on age-specific mortality Because non-mortality transition probabilities can change based on mortality, we will update the transition probability matrix given age by calling the following function.

```
# Time-dependent probability matrix ----
p_matrix_cycle <- function(p_matrix, age, cycle,</pre>
                            tpProg = 0.01,
                            tpDcm = 0.15,
                            tpDcm_r = 0.075,
                            effect = 0.5) {
  tpDn_lookup <-
    c("(34,44]" = 0.0017,
      "(44,54]" = 0.0044,
      "(54,64]" = 0.0138,
      "(64,74]" = 0.0379,
      "(74,84]" = 0.0912,
      "(84,100]" = 0.1958)
  age\_grp \leftarrow cut(age, breaks = c(34,44,54,64,74,84,100)) # find the age group that this age falls into
  tpDn <- tpDn_lookup[age_grp] # look up mortality table using age_grp label
  # Matrix containing transition probabilities for without_drug
  p_matrix["Asymptomatic_disease", "Progressive_disease", "without_drug"] <- tpProg*cycle
  p_matrix["Asymptomatic_disease", "Dead", "without_drug"] <- tpDn</pre>
  p_matrix["Asymptomatic_disease", "Asymptomatic_disease", "without_drug"] <- 1 - tpProg*cycle - tpDn</pre>
  p_matrix["Progressive_disease", "Dead", "without_drug"] <- tpDcm + tpDn</pre>
  p_matrix["Progressive_disease", "Progressive_disease", "without_drug"] <- 1 - tpDcm - tpDn
  p_matrix["Dead", "Dead", "without_drug"] <- 1</pre>
  # Matrix containing transition probabilities for with drug
```

```
p_matrix["Asymptomatic_disease", "Progressive_disease", "with_drug"] <- tpProg*(1 - effect)*cycle
p_matrix["Asymptomatic_disease", "Dead", "with_drug"] <- tpDn</pre>
p_matrix["Asymptomatic_disease", "Asymptomatic_disease", "with_drug"] <-</pre>
  1 - tpProg*(1 - effect)*cycle - tpDn
p_matrix["Progressive_disease", "Dead", "with_drug"] <- tpDcm + tpDn</pre>
p_matrix["Progressive_disease", "Progressive_disease", "with_drug"] <- 1 - tpDcm - tpDn
p_matrix["Dead", "Dead", "with_drug"] <- 1</pre>
  # Matrix containing transition probabilities for with_drug
p_matrix["Asymptomatic_disease", "Progressive_disease", "with_drug_eol"] <- tpProg*(1 - effect)*cycle
p_matrix["Asymptomatic_disease", "Dead", "with_drug_eol"] <- tpDn</pre>
p_matrix["Asymptomatic_disease", "Asymptomatic_disease", "with_drug_eol"] <-</pre>
  1 - tpProg*(1 - effect)*cycle - tpDn
p_matrix["Progressive_disease", "Dead", "with_drug_eol"] <- tpDcm_r + tpDn</pre>
p_matrix["Progressive_disease", "Progressive_disease", "with_drug_eol"] <- 1 - tpDcm_r - tpDn ## modi
p_matrix["Dead", "Dead", "with_drug_eol"] <- 1</pre>
return(p_matrix)
```

- 8. Simulate a cohort for 'no drug' and 'drug' scenario two for loops are implemented in this block
- (1) given strategy (outer loop)
- (2) given cycle # (inner loop)
- calculate age-specific transition probability matrix
- update pop matrix in the current cycle given pop matrix in last cycle and transition probability matrix (matrix multiplication)
- calculate trans matrix to count the number of people move from one to another state within a cycle

A * B: element-wise multiplication A %*% B: matrix multiplication (take the row of A, column of B and sum the product)

To calculate the transitional cost per cycle to arrive in each state, For example, the transitional cost of arriving in "progressive disease (state #2)" is N_1P_12C_12 + N_2P_22C_22 + N3P_32C_32 = N_1C_12P_12 + N_2C_22P_22 + N3C_32P_32 = c(N_1, N_2, N_3) %% $t(c(C_12P_12, C_22P_22, C_32P_32)) = c(N_1, N_2, N_3) %% \\ t(c(C_12, C_22, C_32)) c(P_12, P_22, P_32))$

trans_c_matrix * p_matrix -> transition probability-weighted transitional cost c(1,1,1) %*% column vector() -> sum of elements in the column vector

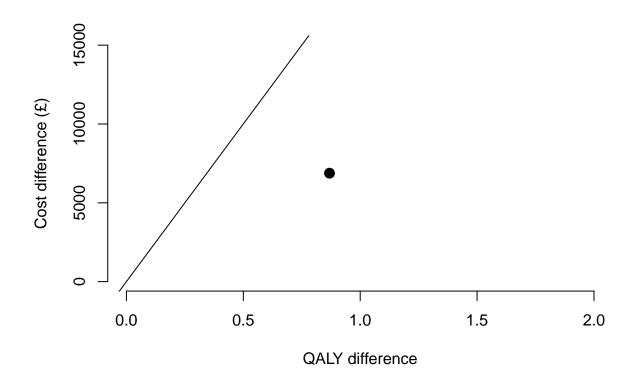
```
pop[, cycle = j - 1, treatment = i] %*% p_matrix[, , treatment = i]
  # calculate the total transitional costs per cycle
  trans[, cycle = j, treatment = i] <-</pre>
    pop[, cycle = j - 1, treatment = i] %*% (trans_c_matrix * p_matrix[, , treatment = i])
  age <- age + 1
# calculate cycle-specific state costs given a treatment strategy
cycle state costs[i, ] <-</pre>
  (state_c_matrix[treatment = i, ] %*% pop[, , treatment = i]) * 1/(1 + cDr)^(1:n_cycles - 1)
# discounting at _previous_ cycle
cycle_trans_costs[i, ] <-</pre>
  (c(1,1,1) %*% trans[, , treatment = i]) * 1/(1 + cDr)^(1:n_cycles - 2) # dot product with <math>c(1,1,1)
# per-cycle cost is the summ of state cost and transitional cost
cycle_costs[i, ] <- cycle_state_costs[i, ] + cycle_trans_costs[i, ]</pre>
# life expectancy
LE[i, ] \leftarrow c(1,1,0) \% *\% pop[, , treatment = i]
# life-years
LYs[i, ] \leftarrow LE[i, ] * 1/(1 + oDr)^(1:n_cycles - 1)
# quality-adjusted life expectancy
cycle QALE[i, ] <-
  state_q_matrix[treatment = i, ] %*% pop[, , treatment = i]
# quality-adjusted life-years
cycle_QALYs[i, ] <- cycle_QALE[i, ] * 1/(1 + oDr)^(1:n_cycles - 1)</pre>
# calculate the total cost and qaly (sum of per-cycle costs and qalys) of each scenario
total_costs[i] <- sum(cycle_costs[treatment = i, -1])</pre>
total_QALYs[i] <- sum(cycle_QALYs[treatment = i, -1])</pre>
```

9. Incremental cost and qaly between two strategies

```
## Plot results ----
results_combined <- rbind(Costs = unlist(total_costs), QALYs = unlist(total_QALYs))
results combined
         without_drug
                          with_drug with_drug_eol
## Costs 9331448.374 16210619.637 21687012.080
## QALYs
             7755.952
                           8624.738
                                          8993.777
# Incremental costs and QALYs of with_drug vs to without_drug
c_incr_21 <- total_costs["with_drug"] - total_costs["without_drug"]</pre>
c_incr_32 <- total_costs["with_drug_eol"] - total_costs["with_drug"]</pre>
c_incr_31 <- total_costs["with_drug_eol"] - total_costs["without_drug"]</pre>
q_incr_21 <- total_QALYs["with_drug"] - total_QALYs["without_drug"]</pre>
q_incr_32 <- total_QALYs["with_drug_eol"] - total_QALYs["with_drug"]</pre>
q_incr_31 <- total_QALYs["with_drug_eol"] - total_QALYs["without_drug"]</pre>
```

10. Calculate ICER

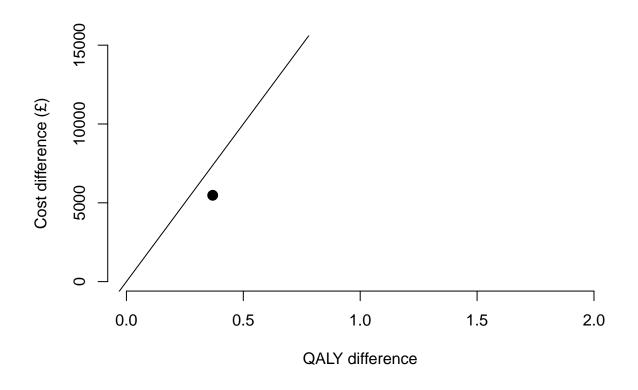
```
{\it \# Incremental cost-effectiveness \ ratio}
ICER_21 <- c_incr_21/q_incr_21</pre>
ICER_32 <- c_incr_32/q_incr_32</pre>
ICER_31 <- c_incr_31/q_incr_31</pre>
ICER_21
## with_drug
## 7918.141
ICER_32
## with_drug_eol
## 14839.58
ICER_31
## with_drug_eol
       9981.667
 11. Plot 1
wtp <- 20000
plot(x = q_incr_21/n_cohort, y = c_incr_21/n_cohort,
     xlim = c(0, 2),
     ylim = c(0, 15e3),
     pch = 16, cex = 1.5,
     xlab = "QALY difference",
     ylab = paste0("Cost difference (", enc2utf8("\u00A3"), ")"),
     frame.plot = FALSE)
abline(a = 0, b = wtp) # willingness-to-pay threshold
```



2

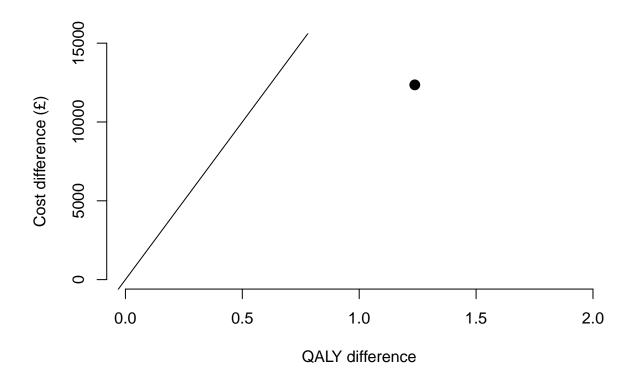
pdf

12. Plot 2



pdf ## 2

13. Plot 3



pdf ## 2