

Kate MacNamara: What's the real cost of staying safe from Covid-19?



Opinion by

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COMMENT:

Five days of overtime in level 4 lockdown, and the cost-benefit analysis that found it wasn't worth it.

This is a pandemic that has told a thousand cautionary tales. But in our great attention to risk and to its mitigating, we must make room for tales about an abundance of caution. They too are cautionary.

This one opens with a 4pm press conference hosted by Prime Minister Jacinda Ardern. It was April 20 and New Zealand had endured close to four weeks in one of the world's most stringent lockdowns to contain the spread of Covid-19 (and ultimately eliminate it within the broader community).

Hard lockdown, Ardern told the country, would run into overtime. Cabinet had decided to add five additional days, over the Anzac Day weekend, before moving to the looser rules of level 3.

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Ardern couched the decision in terms of great benefit at little cost. New Zealand would "lock in" the health gains of interrupting disease transmission over a long weekend that would hamper work and trade regardless of the alert level. On balance, the extension was worthwhile.

P That, however, was not the finding of an actual **cost-benefit analysis produced by the Productivity Commission**. The analysis was done after the Government's decision was made and used only information available at the time of decision-making.

P **The work, released by Treasury under the Official Information Act, concluded that the five extra days at alert level 4 came at a net cost of \$741 million. The gain was, "at best", just shy of \$8m, the value of 239 Quality Adjusted Life Years (QALYs). QALYs are a commonly used tool in government for evaluating health spending; Treasury values one QALY at \$33,000.**

"This analysis concludes that SL3 (straight to level 3) outperforms X5D (an extra 5 days at level 4) on all criteria considered," the report said. The work was peer reviewed both internally and externally.

The model used in the commission's work takes into account nuances that are often lost in the public debate. The cost of lockdown is counted directly in lost GDP, when businesses and other entities cannot trade.

P **But the paper also described a "slow bounce-back effect", which includes the likes of business failures, loss of customer confidence and erosion of staff. The longer that normal business operations are suspended, the longer they take to recover.**

Similarly, in considering health consequences, a crude tally of deaths and hospitalisations is of limited use. The model used QALYs to allow the measurement of both quality of life lost and to measure the extent to which life would be shortened.

The life of a previously healthy person lost at age 40, for example, results in a much greater loss in QALYs than the death of someone who is already ill and in their 80s. That's important in discussing Covid-19, since it produces a death and hospitalisation rate that is heavily skewed to the very old and those who are already infirm.

The upshot of the Productivity Commission's report, of course, is not an absolute finding; it does not make the five-day extension categorically wrong. But it does suggest that by the measures the Government generally uses to evaluate health spending, the cost was not justified.

All of that matters now because New Zealand continues to face difficult tradeoffs involving health and the economy.

Our largely shuttered border remains the primary bulwark against community spread of the virus, and the public has seen very little analysis of just how much the very tight settings cost, relative to the benefit.

Suggestions have been made about loosening quarantine circumstances for specific cohorts of arrivals. Could foreign students isolate in "bubbles" using more shared facilities, like bathrooms? Could work visa holders be brought in under similar circumstances?

The method used by the Productivity Commission could help us better weigh those policy settings.

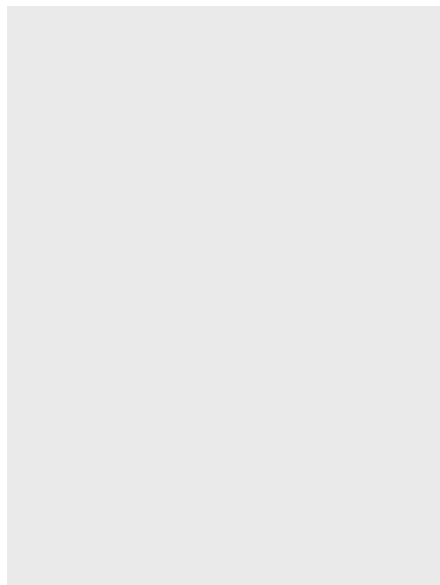
As commission chair Murray Sherwin points out, "locking down the border means we stay at zero cases, which is actually very nice, but we're going to face significant unemployment, there will be health consequences out of that and out of reduced revenues into the future as well."

The longer the pandemic drags on without a vaccine or an effective treatment, the more pressing that clear-eyed cost-benefit discussions will become.

There will always be an element of "gut feel" to political decision-making. Among other things, it weighs the public mood, and it provides an element of (hopefully good) judgment.

But New Zealand's resources are finite and as our debt mounts, our firepower for offsetting the problems that arise from a throttled economy dwindle. We need to understand the cost of caution as never before.

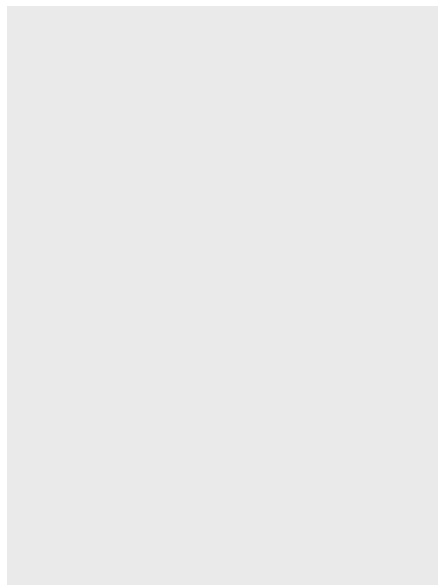
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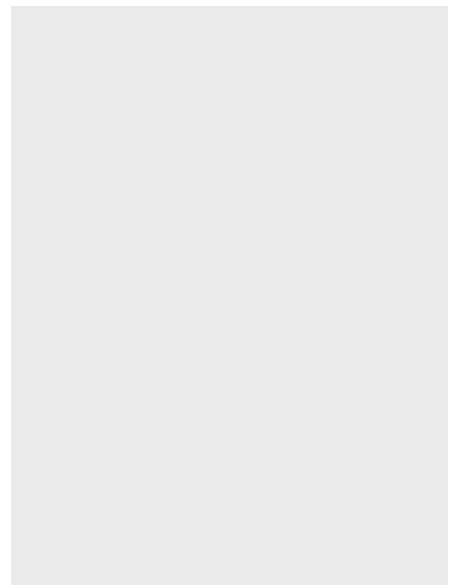
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