The literature on health care decision making has focused on the development, standardization, and application of cost-effectiveness analysis (CEA). This requires that the decision maker’s problem (how to allocate available health care resources to achieve stated objectives) is precisely the question addressed by these evaluation methods. In this presentation we show how these two elements diverge. Instead of assisting the decision maker in identifying the most productive uses of available resources, the methods increase the severity of the problem by generating requirements for additional resources without establishing whether such resource use generates more good than harm in terms of the decision maker’s objective. We show that economic theory provides a framework that reflects the decision maker’s problems and generates valid solutions to these problems. A second best approach, limited to identifying improvements in, as opposed to optimization of, resource allocations, is presented for situations where the data requirements for optimization are not fulfilled. Comparison with the traditional approach of CEA reinforces the inconvenient economic truth – that questions about the efficiency of resource allocations cannot be addressed without the explicit consideration of opportunity cost.