



# BHARATHIDASAN UNIVERSITY

Tiruchirappalli- 620024,  
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## Programme: MA Economics

**Course Title: HEALTH ECONOMICS**

**Course code: 22EC02b**

### Unit 1 Introduction

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# Introduction to Health Economics

Definition of health economics:

- Economics applied to health issues.
- Deals with resource allocation in healthcare.
- Examines behaviour of individuals and institutions in the health sector.
- Focus on health outcomes and efficiency.
- Integrates with public policy for better healthcare services.

# Key Concepts in Health Economics

- **Opportunity Cost:** The cost of forgoing the next best alternative.
- **Externalities:** Positive or negative side effects on third parties.
- **Market Failure:** Inefficient allocation of resources in healthcare.
- **Equity:** Fair distribution of healthcare resources.
- **Efficiency:** Maximizing health outcomes with available resources.

# Definitions in Health Economics

- Health Capital: The stock of health affecting individual productivity.
- Cost-Effectiveness: The benefit-to-cost ratio of a healthcare intervention.
- Health Insurance: A financial mechanism to protect against health risks.
- Health Policy: Decisions made to improve population health.
- Equity: Ensuring equal access to healthcare.

# Importance of Health Economics

- Provides tools for resource allocation in healthcare.
- Helps improve healthcare access and affordability.
- Focuses on maximizing health outcomes with limited resources.
- Supports decision-making in health policy and healthcare financing.
- Aids in improving overall health system efficiency.

# Asymmetric Nature of Health Economics

- Adverse Selection: Insurers may not know full details of a patient's health.
- Moral Hazard: People may overuse healthcare services since they don't bear full costs.
- Leads to market inefficiencies and higher costs.
- Regulatory measures (e.g., insurance mandates) to mitigate asymmetry.
- Encouraging transparency and patient education.

# Components of Health Economics

- Demand and Supply: Healthcare services as a commodity.
- Healthcare Financing: Different methods of funding healthcare.
- Cost-Effectiveness Analysis: Analyzing interventions' economic viability.
- Insurance Markets: Role of private and public health insurance.
- Health Policy: Design of efficient and equitable health systems.

# Role of Economics in the Health Sector

- Allocates scarce resources for effective health service delivery.
- Determines the pricing structure for healthcare services.
- Supports decision-making in healthcare policy and financing.
- Evaluates health interventions' cost-effectiveness.
- Promotes equitable and efficient healthcare outcomes.



# Healthcare Financing

- **Government Financing:** Tax-based or public funds for healthcare services.
- **Private Insurance:** Covers individuals or families through private premiums.
- **Out-of-Pocket Payments:** Direct payments by patients for services received.
- **Social Insurance:** Coverage through government-mandated insurance programs.
- **Equity and Fairness:** Ensuring that healthcare financing is just.

# Economic Evaluation in Health Economics

- Cost-Effectiveness Analysis (CEA): Measures health outcomes per unit cost.
- Cost-Utility Analysis (CUA): Evaluates healthcare interventions using utility (QALY).
- Cost-Benefit Analysis (CBA): Compares costs and benefits of health interventions.
- Budget Impact Analysis: Assesses the financial implications for health systems.
- Impact on Decision Making: Helps prioritize healthcare interventions.

# The Role of Government in Health Economics

- Regulates healthcare quality and services.
- Provides public health services and financing.
- Determines healthcare access through policy.
- Implements universal health coverage programs.
- Sets pricing and funding mechanisms for healthcare services.

# Healthcare Systems

- Public Healthcare: Funded and operated by government.
- Private Healthcare: Funded by private sources, including insurance and out-of-pocket payments.
- Universal Health Coverage: Ensures all individuals have access to necessary health services.
- Mixed Systems: Combination of public and private health services.
- Health Reforms: Continuous improvement in system efficiency and access.

# Healthcare System in India

- **Public Sector:** Government hospitals and clinics providing basic health services.
- **Private Sector:** Expanding rapidly with private hospitals and clinics.
- **Government Schemes:** Ayushman Bharat for universal health coverage.
- **Challenges:** Access issues, high costs, and health workforce shortages.
- **Recent Reforms:** Focus on expanding coverage and improving healthcare delivery.

# Healthcare Infrastructure in India

- Public Hospitals: Central, state, and district hospitals.
- Primary Health Centers (PHCs): Key in rural areas for basic health services.
- Private Healthcare: Expanding in urban and semi-urban areas.
- Health Inequality: Disparities between urban and rural healthcare services.
- Government Initiatives: National Health Mission (NHM) and health infrastructure improvements.

# Levels of Healthcare

- Primary Healthcare: Preventive and basic health services.
- Secondary Healthcare: Specialized services, hospitals, and clinics.
- Tertiary Healthcare: Advanced medical treatments, specialized institutions.
- Healthcare Access: Ensuring services are available at all levels.
- Integrated Services: Ensuring smooth transitions between levels of care.

# Primary Healthcare in India

- Provides essential services for rural and urban populations.
- Focus on prevention, basic treatment, and health education.
- Role of PHCs: Serve as the first point of contact in rural areas.
- Challenges: Insufficient infrastructure and staff.
- National Health Mission (NHM): Focuses on improving primary healthcare services.



# Secondary Healthcare in India

- Specialized services offered at district hospitals and private clinics.
- Provides care that goes beyond basic treatment.
- Commonly involves referrals from PHCs.
- Key challenges: Insufficient number of specialists in rural areas.
- Role in bridging gaps between primary and tertiary care.

# Tertiary Healthcare in India

- Advanced and highly specialized medical care, often in large cities.
- Major institutions: AIIMS, Apollo Hospitals, Fortis Healthcare.
- Treatment for complex diseases and surgeries.
- High-tech services such as organ transplants and cancer treatment.
- Disparities in access between urban and rural areas.

# Healthcare Workforce in India

- Doctors, Nurses, Technicians: Essential for effective healthcare delivery.
- Urban-Rural Divide: Healthcare professionals are concentrated in cities.
- Shortages: Insufficient numbers of medical professionals in rural areas.
- Skill Development: Need for more training programs and capacity building.
- Government Schemes: Incentives for healthcare workers to work in underserved areas.

# Challenges in Indian Healthcare System

- Access: Disparities in rural vs urban healthcare access.
- Quality: Inconsistent quality of care across regions.
- Financing: Insufficient government funding and high out-of-pocket expenditures.
- Workforce Shortages: Inadequate number of healthcare professionals.
- Disease Burden: High rates of communicable and non-communicable diseases.

# Health Insurance in India

- **Government Schemes:** Ayushman Bharat provides health coverage to the underserved.
- **Private Insurance:** Expanding coverage for higher-income groups.
- **Challenges:** Limited coverage for rural populations.
- **Insurance Penetration:** Still low in comparison to other countries.
- **Future Potential:** Expanding health insurance for all populations.

# Economic Impacts of Health Systems

- Economic Growth: A healthy population contributes to greater productivity.
- Healthcare as a Job Provider: Employment in the healthcare sector.
- Impact of Illness: Costs of treating diseases affect the economy.
- Preventive Healthcare: Saving costs through prevention.
- Healthcare and GDP: The relationship between healthcare spending and national income.

# Conclusion

- Summary of health economics' role in healthcare systems.
- Emphasis on resource allocation, cost-effectiveness, and equity.
- India's evolving healthcare system faces both challenges and opportunities.
- Continued reforms and innovative solutions needed for better healthcare.
- Health economics provides the foundation for making informed decisions in the sector.

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