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Tiruchirappalli- 620024,  
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## Programme: MA Economics

**Course Title: HEALTH ECONOMICS**

**Course code: 22EC02b**

### Unit 2

## Demand for Supply of Health Economics

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# Demand for Health Economics

- Health economics examines the demand for medical services and care.
- Influenced by various factors such as income, education, age, and chronic conditions.
- Vital for understanding healthcare markets and ensuring efficient resource use.
- Impacts governmental health policies and insurance programs.
- Helps design strategies to control healthcare spending and improve service delivery.

# Factors Influencing Demand for Health

## Economics

- **Income Levels:** Higher income often leads to higher demand for healthcare services.
- **Education:** More educated individuals may demand higher-quality health services.
- **Age:** Older populations tend to need more healthcare services.
- **Health Status:** Individuals with chronic illnesses demand more medical care.
- **Cultural Beliefs:** Cultural preferences can affect health-seeking behaviour.

# Price Elasticity of Demand for Health Care

- Health care has a relatively inelastic demand (necessity goods).
- A price increase typically does not significantly reduce demand for essential services.
- Differentiation in elasticity across various health services.
- Elasticity may vary based on income and geographic location.
- Governments and insurers aim to balance cost control with access to care.

# Demand for Medical Care as Investment

- Medical care viewed as an investment in human capital.
- Healthy individuals contribute more to productivity and economic growth.
- Preventive care and early intervention reduce long-term health expenditures.
- Investment in healthcare can lead to improved workforce efficiency.
- High healthcare costs can reduce future income and productivity.

# Understanding the Role of Preventive Care

- Preventive care (vaccination, screenings) helps avoid future costs.
- Focus on long-term savings by reducing the incidence of expensive chronic diseases.
- Public health campaigns and policies promote preventive measures.
- Encouraging individuals to invest in health can reduce overall demand for treatment.
- Preventive care as a means of reducing healthcare burden on economies.

# Measuring Demand in Health Economics

- Quantitative models used to measure demand for healthcare.
- Price and income elasticity: Measures how price and income changes affect demand.
- Data from insurance claims, hospital visits, and health surveys.
- Econometric methods to predict future demand trends.
- Factors like waiting times, health outcomes, and service availability can influence demand.

# Demand Shifters in Health Economics

- Changes in income or wealth.
- Technological advancements in medical care.
- Population aging and demographic shifts.
- Changes in societal attitudes toward health and wellness.
- The introduction of new health insurance programs.



# Nature of Supply of Health Care Services

- Supply of healthcare services involves providers such as hospitals, physicians, and clinics.
- Healthcare services are characterized by high fixed costs and variability in quality.
- Influenced by factors such as technology, workforce availability, and infrastructure.
- The supply of healthcare services can be affected by policy decisions and regulation.
- There is a limited supply of qualified healthcare professionals in some regions.

# Characteristics of Healthcare Supply

- Capital-intensive: Significant investment in infrastructure, equipment, and training.
- Labor-intensive: High reliance on skilled professionals like doctors and nurses.
- Technologically dependent: Medical advances influence the availability of treatment options.
- Geographically varied: Access to healthcare services can vary across locations.
- Government regulation: Health systems are often highly regulated.

# Barriers to Healthcare Supply

- Lack of healthcare providers in rural or underserved areas.
- Insufficient funding for public healthcare systems.
- Regulatory restrictions on the healthcare workforce.
- Geographical limitations of healthcare facilities.
- High cost of medical education and training, limiting supply of professionals.

# Pricing of Health Care Services

- Healthcare pricing is influenced by factors like supply and demand, insurance, and government policies.
- Private insurance plans often dictate pricing through negotiated rates.
- Public healthcare systems may set prices through regulations or cost-control mechanisms.
- Prices may vary based on location, type of service, and patient demographics.
- Out-of-pocket expenses and co-pays influence demand for services.

# Market Failure in Healthcare

- Healthcare markets often experience failure due to asymmetric information, monopolies, and externalities.
- **Asymmetric Information:** Patients cannot always fully assess the quality of care.
- **Monopolies:** Large healthcare providers may dominate pricing and service options.
- **Externalities:** Public health initiatives (like vaccinations) benefit society beyond the individual.

# Protection of Health

- Public health policies protect individuals from health risks (e.g., smoking, air pollution).
- Regulatory agencies set standards for food safety, environmental health, and medical practices.
- Health promotion: Encouraging healthier lifestyles to reduce demand for medical care.
- Health education: Raising awareness of preventable diseases and conditions.
- Global health initiatives: Addressing health risks on an international scale.

# Healthcare Financing Models

- Single-payer system: The government provides and finances healthcare.
- Private insurance system: Individuals or employers purchase insurance plans.
- Mixed system: A combination of public and private insurance funding.
- Out-of-pocket payments: Direct payments by individuals for services received.
- National Health Service: The government owns and operates healthcare services.

# Health Insurance Models

- Employer-based insurance: Offered as a benefit by employers.
- Government-funded insurance: Such as Medicaid and Medicare.
- Marketplace insurance: Private health plans purchased through government-run exchanges.
- Universal health coverage: Governments provide health insurance to all citizens.
- Private health insurance: Individuals or employers purchase insurance directly from insurers.



# The Role of Insurance in Health Economics

- Insurance mitigates the financial burden of healthcare costs for individuals.
- The role of health insurance in reducing barriers to access to care.
- Moral hazard: Individuals may over consume healthcare when insured.
- Adverse selection: Those in poor health are more likely to purchase health insurance.
- Impact of government-subsidized insurance programs like Medicaid and Medicare.

# Public vs. Private Healthcare

- Differences in accessibility, cost, and quality between public and private providers.
- Public healthcare systems focus on providing universal access.
- Private systems may provide faster service but can result in unequal access.
- Cost-sharing in private systems versus fully subsidized public care.
- The debate over the efficiency and sustainability of each system.

# Policy Interventions in Healthcare

- Governments can intervene to correct market failures and ensure equitable access.
- Price controls, subsidies, and regulation to improve affordability.
- Healthcare reforms to reduce inefficiency and lower costs.
- Public health campaigns to reduce demand for unhealthy behaviours.
- Investment in healthcare infrastructure to improve supply.

# Global Health Economics

- Health economics also applies to international and global health challenges.
- Issues include infectious diseases, malnutrition, and access to healthcare in low-income countries.
- Funding models for global health initiatives (e.g., WHO, the Global Fund).
- The economics of healthcare access in developing countries.
- The role of foreign aid and international cooperation in health systems.

# Economic Impact of Poor Health

- Poor health negatively impacts productivity and economic growth.
- Increased absenteeism, lower workforce participation, and higher healthcare costs.
- Burden on national budgets due to public health expenditures.
- Impact on social security systems and pension funds.
- Economic consequences of not addressing preventable diseases.

# Conclusion

- Demand for health economics is influenced by various factors such as income, education, and health status.
- Healthcare systems must balance the supply of services with demand and the cost of care.
- Insurance and government interventions play crucial roles in providing access to care.

# Conclusion (cont.)

- Efficient healthcare policies can have positive economic impacts on both individuals and society.
- On-going research and development in health economics are essential for improving global health systems.

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