

# HEALTH ECONOMICS

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# Unit: 10 Health Economics

- General concept Economics
- Concept and framework of HE/ Importance in Health Planning
- Theory of Demand, Supply, and Price system in Health.
- Health Budgeting
- Health Service Resource identification and Allocation
- Health Care cost concept
- Economic Evaluation
- Audit
- Health Financing

*“How can I help colleagues understand what health economics is and what it does?”*



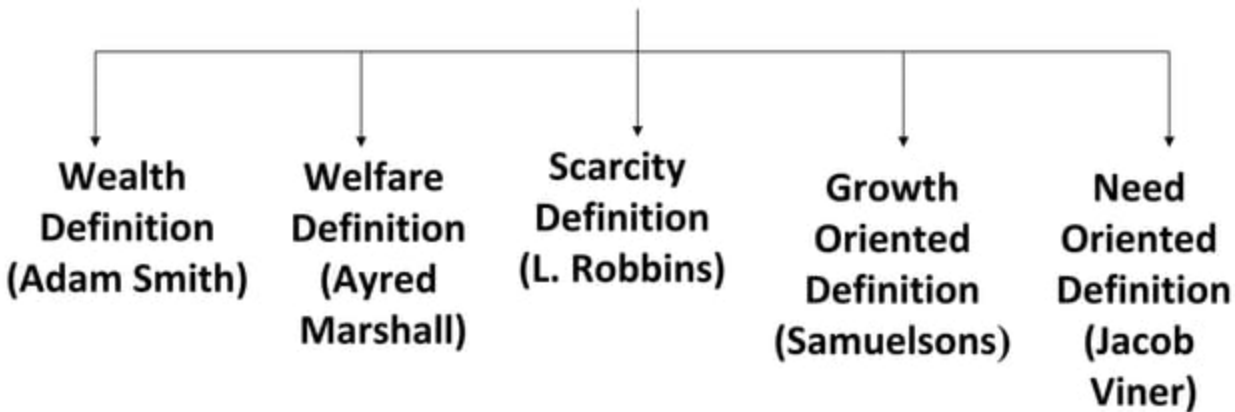
## Introduction to Health Economics Concepts



- 1776 : Adam Smith (Father of Economics) – *Science of Wealth*
- *Economy is concerned with the production, consumption, distribution and investment of goods and services.*

# Concept of Economics

## Stages & Definitions of Economics



## Wealth Concept

**Adam Smith, who is generally regarded as father of economics, defined economics as “ a science which enquires into the nature and cause of wealth of nation”. He emphasized the production and growth of wealth as the subject matter of economics.**

## Welfare Concept

**According to A. Marshall “Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of well being. Thus, it is on one side a study of wealth; and on other; and more important side, a part of the study of man.**

# Scarcity Concept :

According to Lionel Robbins:  
“Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternate uses”



# Growth/Development

## Concept

According to Prof. Samuelson “Economics is the study of how men and society choose with or without the use of money, to employ the scarce productive resources which have alternative uses, to produce various commodities over time and distribute them for consumption now and in future among various people and groups of society.

# Need Oriented Definitions :

According to Jacob Viner  
“Economics is what  
economists do”

# Significance/Advantages of Economics

## Theoretical Advantages

- Increase in Knowledge
- Developing Analytical Attitude

## Practical Advantages

- Significance for the consumers
- Significance for producers
- Significance for workers
- Significance for politicians
- Significance for academicians
- Significance for administrators
- Effective man-power planning
- Helpful in fixing price
- Solving distribution problems

# Macro-economics

Concerned with the overall performance of the economy. This concept came into being after 1935 when General Theory of Employment, Interest and Money was published by John Maynard Keynes. Macroeconomics is the study of aggregate economic activities, such as:

## **1. The economy level of outputs;**

- We can measure that by some variables such as; GDP, Rate of depression, Rate of slackness ..ets.
- Real GDP is the market value of all final goods and services produced in the domestic economy during a one year period measured with constant prices.

## **2. Level of national income;**

- We can measure that by some variables such as N.I.
- National income (N.I) is the income earned by the factors of production.
- Income earned of the sold or consumed GDP.

### **3. Level of employment;**

- We can measure that by some variables such as the rate of unemployment.
- The Rate of Unemployment is the percent of the total labor force which is unemployed.

Microeconomics the study of economic behavior of individual decision making units such as:

- Consumers
- resource owners and
- business firms in a free –enterprise economy.

- We can measure that by some studies such as market , pilot and feasibility studies.

# Microeconomics

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## Samuelson (Definition of Economics)

*“The Study of how people and society end up choosing, with or without use of money, to employ scarce productive resources that could have alternative uses, to produce various commodities and distribute them for consumption, now or in future, among various persons and groups in society. It Analyses the cost and benefits of improving the patterns of resource allocation.”*

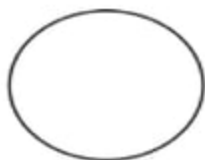
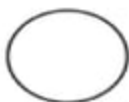
# Health Economics

Application of theories, concepts and techniques of economics to the health sectors.

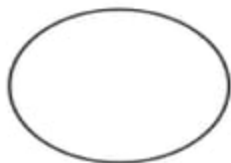
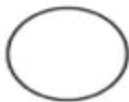
- The allocation of resources between various health-promoting activities.
- The quantity of resources used in health delivery.
- The organization and funding of health Institution.
- The efficiency with which resources are allocated and used for health purposes.
- The effects of preventive, curative and rehabilitative health services on individual and society.

# HE- Scopes

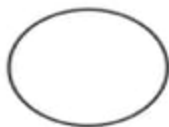
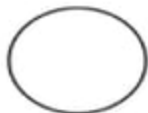
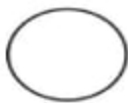
- Economic Development and health
- The role of state in Health care Provision
- Economic evaluation concepts and techniques
- Economic Information relevant to health sectors and its sources
- Health Financing Issues
- Financial planning and Budgeting



Demand



Intervention options



Resources

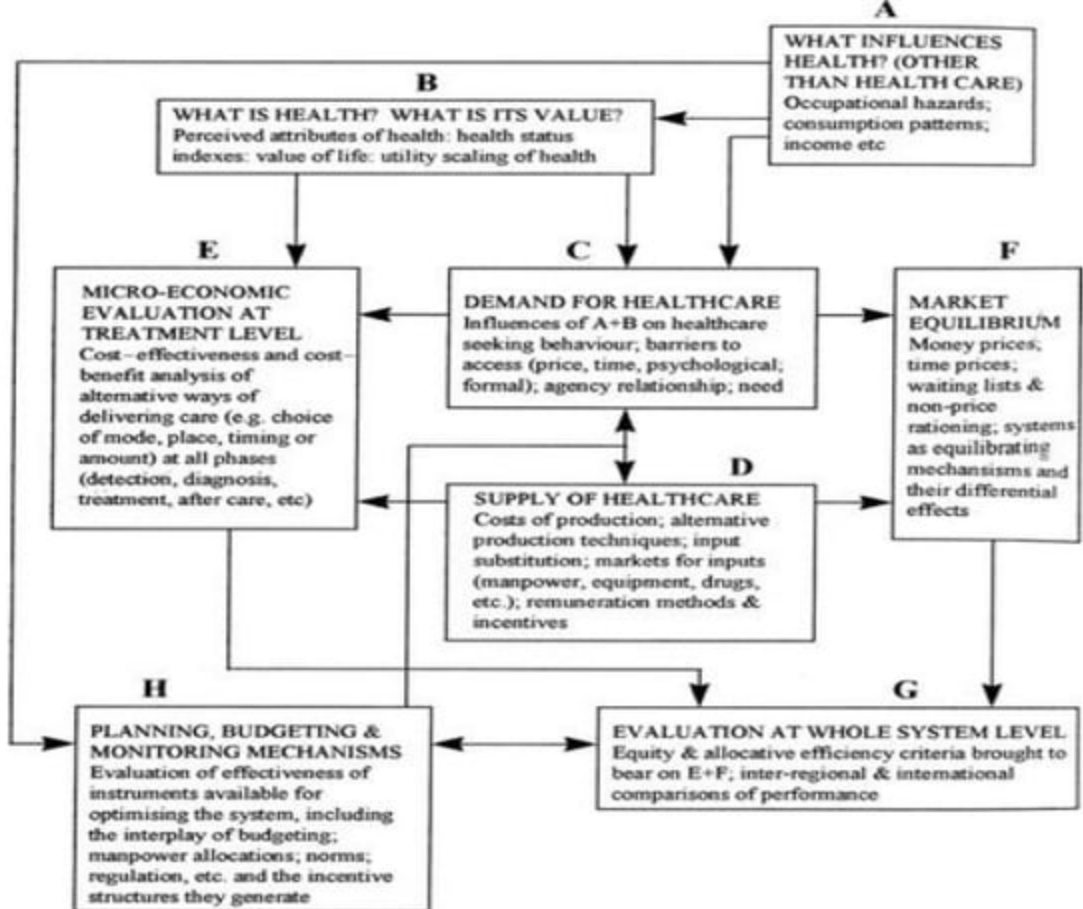
1970s

1980s

1990s

# Framework- Alan Willians

- What influences health ( Beyond health)
- What is health and what is its Value
- The demand for health care
- The Supply of Health care
- Micro-economic evaluation at the treatment level
- Market equilibrium
- Evaluation at whole system level
- Planning, budgeting and monitoring mechanism.



# Contribution of HE in Health Planning

- Health policy and its implementation is strongly influenced by macro-economic consideration.
- Social and economic welfare of population.
- Economic Evaluation of Health Services, provision of infrastructures.
- Reappraisal of health programs.
- Cost-effective , cost benefit , cost utility analysis etc