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## Learning Objectives

At the end of session student will be able to

- Define economics
  - Differentiate between macro & microeconomics
  - Explain positive & normative economics
  - Describe framework of health economics
  - Explain law of demand, supply & elasticity
  - Describe Production possibility frontier
  - Explain 4 types of economic evaluation
  - Appraise Components of economic evaluation
  - Understand ethical issues in economic support

5

**Vision & Mission of RMU**

**Vision**  
Highly recognized and accredited center of excellence in Medical Education, using evidence-based training techniques for development of highly competent health professionals, who are lifelong experiential learner and are socially accountable.

**Mission Statement**  
To impart evidence-based research-oriented health professional education in order to provide best possible patient care and inculcate the values of mutual respect, ethical practice of healthcare and social accountability.

### Sequence of Lecture

1. Learning Objectives	( 1 slide)
2. Core Subject	(27 slides)
3. Research	( 1 slide)
4. Bioethics	(1 slide)
5. End of lecture assessment	(1 slide)
6. Reading source	(1 slide)

1

## Concept

Core Concept

Health economics is concerned with the **efficient utilization** of economic resources such as **Human** resource, **materials**, **financial** resources and with the **alternative uses** of resources in the health services sector.

7

## Health economics

Core Concept

- The application of the theories, concepts and techniques of economics to health sector.
- TYPES?????

10



8

## Macroeconomics

Core Concept

- The study of the behavior of the entire economy and concerned with the behavior of the economy as a whole or with the broad aggregate of economic life such as national output, income, the overall price level, unemployment, and foreign trade.

11

## Definitions

Core Concept

- The study of how men and society end up choosing to employ **scarce resources** that could have **alternative uses**.
- Economics is the study of how people allocate their **limited resources** in an attempt to satisfy their **unlimited wants**.
- The subject matter of economics lies on the **production, distribution and consumption of economic goods**.

9

## Microeconomics

Core Concept

- Deals with the behavior of individual prices and quantities (Issues at individual level). Our knowledge of economics helps us to manage our personal lives, to understand society and to design better economic policies.

12

## Meaning

Micro-Economics	Macro-Economics
<ul style="list-style-type: none"> <li>Micro economics studies the decisions made by individual and business concerning the distribution of resources and prices of goods and services.</li> <li>It deals with a specific industry or a sector, the connections of firms and households in the market.</li> <li>For example, microeconomics would study how a company could lower its prices to increase its product demand in the market.</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomics, studies the behavior of not only particular company or industries but whole economy.</li> <li>It includes understanding how unemployment, price levels, growth rate affects the economy wide aspects such as the Gross National Product (GNP).</li> <li>For example, macroeconomics would look at how an increase/decrease in net imports would affect a nation's capital account.</li> </ul>

13

13

## Rationale Of Health Economics cont....

Core Concept

According to WHO, increasing life expectancy at birth by 10% will increase the economic growth rate by 0.35% a year.

**B. Health economics is concerned with the alternative uses of resources /Policy making** with the efficient utilization of economic resources such as Human resource, material and financial resources.

16

16

## Imp Terms To Understand Economics

Core Concept

<p><b>Positive economics</b></p> <ul style="list-style-type: none"> <li>Describes the <b>facts and behavior</b> in the economy.</li> <li>Helps to understand economic phenomena, can be tested</li> <li>How things were/are/will be</li> </ul> <p>Examples</p> <ul style="list-style-type: none"> <li>Current unemployed is 20%?</li> <li>Health spending is 5%</li> </ul>	<p><b>Normative Economics</b></p> <ul style="list-style-type: none"> <li>Involves <b>ethics and value judgments</b>.</li> <li>Hypothetical statements, cannot be tested.</li> <li>How things should be, makes recommendations</li> </ul> <p>Examples</p> <ul style="list-style-type: none"> <li>Level of unemployment should be less than 5%</li> <li>Government Should give free treatment to poor</li> </ul>
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14

14

## Ethical Issues in Economic Support

Core Concept

- Every individual should have equitable access to health services.
- However, inappropriate financial barriers to health care do exist.
- As a result, economic disparities between the rich and the poor have a major impact on the health status of the population.

17

17

## Rationale And Focus Of Health Economics

Core Concept

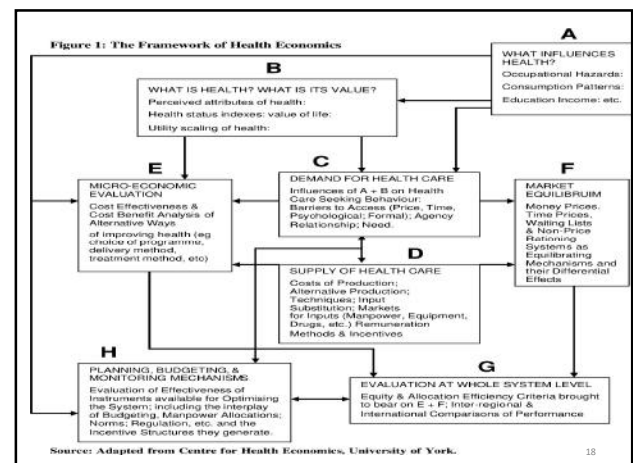
**A. Good health is determinant of economic growth and a component of the wellbeing of population.**

A **healthier individual** might affect the economy in following ways

1. **More productive** at work and earn higher income.
2. May spend more time in labour force
3. May **invest more** in education, it will increase their productivity.
4. May **save more** by increase in life expectancy

15

15



18

## Three problems of economic organization

Three fundamental health problems

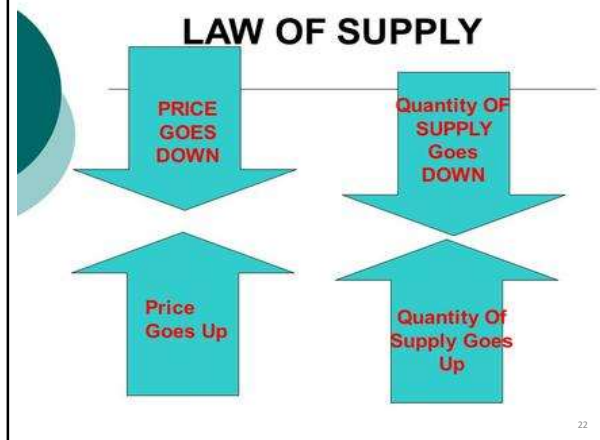
- **What** to produce
- **How** to produce
- **For whom** to produce

Core Concept

19

19

## LAW OF SUPPLY



22

22

## Supply and demand

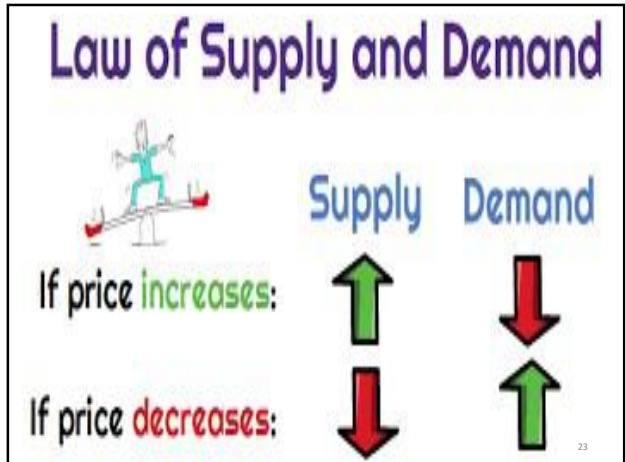
- Supply relationship
- Demand relationship
- The law of Demand
- The law of Supply
- Time and supply
- Supply and Demand Relationship

Core Concept

20

20

## Law of Supply and Demand



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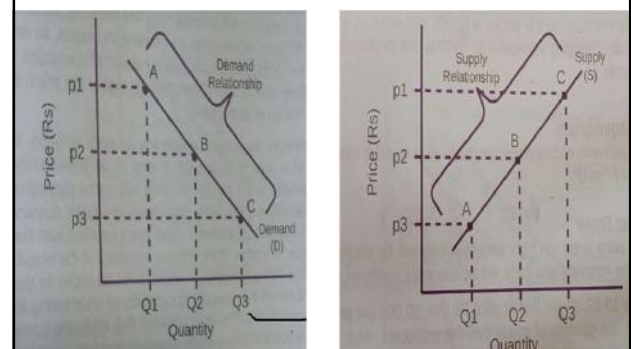
## The Law of Demand



21

21

## Graphical representation of the Law of demand & Supply

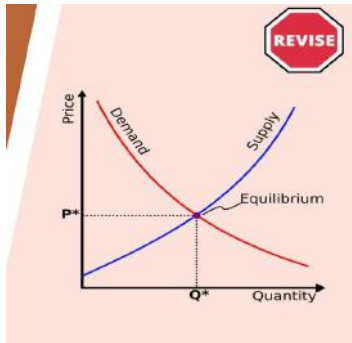


24



## Scarcity and choice

- ????



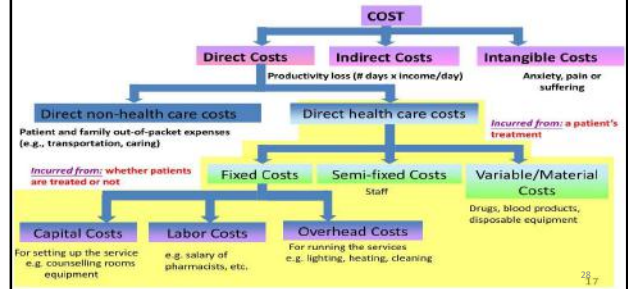
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## Types Of Costs In Health Economics

Core Concept

### Types of cost



26

28

## Elasticity

Core Concept

Since the laws of supply and demand set price so

- Prices are always subject to change, based upon market forces and the interaction between the consumer and business.
- This change in prices and the degree of said change is known as **elasticity**

26

26

## Types of cost cont.....

Core Concept

- **Opportunity cost**  
Benefit given up by not choosing the next best alternative.
- **Incremental cost**  
It is the **difference in costs** found between two interventions i.e. the intervention and its comparator
- **Average cost**  
It is calculated by dividing the total costs for the intervention by the total quantity of treatment units provided eg No. of patients receiving a course of antibiotics.
- **Marginal Cost**  
the extra cost of producing one unit of output (e.g. increasing the length of stay in hospital by one day)

29

29

## PRICE ELASTICITY OF DEMAND



Chisel

27

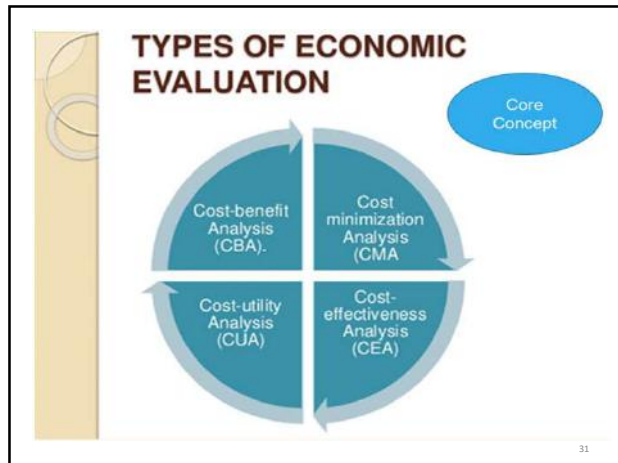
## Economic evaluation

Core Concept

- **Economic evaluation** is used to ensure that limited resources are allocated as efficiently as possible.
- **Technical efficiency**  
Meeting a given objective at least cost
- **Allocative efficiency**  
Producing exactly what society wants

30

30



31

### End of lecture assessment

- Economics studying the decision made by individual & business concerning the distribution of resources & prices of goods & services is :
  - Macroeconomics
  - Microeconomics
  - Positive economics
  - Negative economics
  - Normative economics

34

34

### Structure of economic evaluation

Type	Characteristics	Parameter	Advantages	Disadvantages
Cost-minimization	Used when two or more interventions of equal effectiveness are being compared, but their costs are different	Cost	Easier to conduct than full cost-effectiveness analysis	Interventions must have equal effectiveness
Cost-effectiveness	Health outcomes are not valued but are reported in physical units such as life-years gained or cases successfully treated	Cost/ non-quality-adjusted outcome	May be quicker and easier to conduct than cost-utility analysis	Difficult to compare studies with varying outcomes; give little credit to interventions that primarily improve quality of life; fail to account for adverse effects
Cost utility	A type of cost-effectiveness study that typically measures health improvement in QALYs	Cost/ QALY	Useful when comparing alternative treatments that produce outcomes of different types; useful when increased survival is bought at the expense of reduced quality of life	May bias in favor of those individuals with potentially more years to live in a good health state
Cost benefit	Attaches a monetary value to the consequences (costs and effectiveness) of an intervention by asking health care consumers what they would be willing to pay for health services that achieve certain outcomes	Cost	Allows comparison of medical and nonmedical interventions (nonmedical interventions typically use cost-benefit); provides a more definitive endpoint than cost effectiveness	May show bias toward interventions for the rich (if they are more willing to pay than the poor); places a dollar value on human life

Abbreviations: QALY, quality adjusted life-year.

32

32

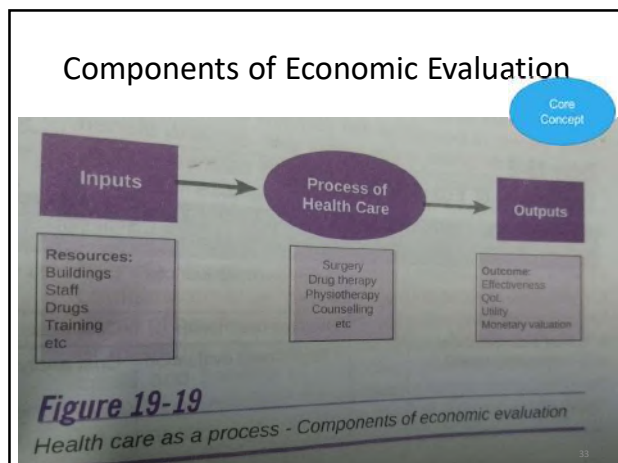
### Relevant researches

<https://www.google.com/imgres?imgurl=https%3A%2F%2Fwww.ohe.org%2Fwp-content>

[https://www.researchgate.net/publication/334473253\\_Use\\_of\\_health\\_economic\\_evaluation\\_in\\_the\\_implementation\\_and\\_improvement\\_science\\_fields-a\\_systematic\\_literature\\_review](https://www.researchgate.net/publication/334473253_Use_of_health_economic_evaluation_in_the_implementation_and_improvement_science_fields-a_systematic_literature_review)

35

35



33

### Reading source

Ilyas Ansari Text Book Of Public Health And Community Medicine  
(8th Edition)  
Chapter Of Health Economics  
Page 287-315

36

36