

ANDHRA CHRISTIAN COLLEGE :: GUNTUR

(Day, Evening & P.G.)

NOTICE

Date : 09-12-2020

All the 1st year B. A. Students are hereby informed to submit their names for the certified course on "HEALTH ECONOMICS" for the academic year 2020 -2021 to the H. O. D Department of Economics, Guntur on or before 26-12-2020. The Course will commence from 02-12-2021 and the duration of the course is 30days.

A. B. S. S.
H. O. D

Department of Economics

T. Anitha Lakshmi

PRINCIPAL

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ANDHRA CHRISTIAN COLLEGE
(Day, Evening & P.G.)
GUNTUR

Copy to :

- 1) The Co-ordinator, IQAC, Andhra Christian College, Guntur.
- 2) The Office Manager, Andhra Christian College, Guntur.

A. B. S. S.
(Dr. A. V. Bhargavallu)
(Course Co-ordinator)

ANDHRA CHRISTIAN COLLEGE :: GUNTUR

Department of Economics Certificate Course Health Economics 2020 -2021

Introduction:

The Course on Health Economics aims to provide and Knowledge and skills to identify healthy life style behavior and enable student to have a bright future.

- **Aims and Objectives:**

To Promote health life style and positive health outcomes through the study of health care providers.

To analyze the impact of share holders and recipients on the quality and cost of medical care.

To study the health disparities as a casual impact of the economics inequalities both in the developed and developing countries.

To increase healthy human capital and to consider as an asset to the healthy and protective economy.

ANDHRA CHRISTIAN COLLEGE :: GUNTUR

**Department of Economics
Certificate Course
Health Economics
2020 -2021**

Syllabus :

- 1) Basics of demand for health – Health as an impact into utility - Marginal costs and benefits of Health - Opportunity cost of Health Economics - Education as a Health investment
- 2) Economics and status and health – a causal relationship – Economics status and Education – Impact on optimal productivity – Early Economic deprivation – Impact on health in the late stage.

Prabhu
(M.A. & Bhopal)

T. First Lesson

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ANDHRA CHRISTIAN COLLEGE GUNTUR

Department of Economics

Certificate Course

On

Health Economics

2020 -2021

(30 hours)

Sl. No	TOPIC	HOURS
1	Basics of demand for Health	3
2	Health as an input into Utility	3
3	Marginal costs and benefits of Health	4
4	Opportunity cost of Health Economics	4
5	Education as Health investment	4
6	Economic status and Health	3
7	Economic status and Education	4
8	Early Economics deprivation and impact on Health	5

Key concepts in health economics

Virginia Wiseman



Overview

This chapter provides an introduction to the discipline of economics and to the sub-discipline of health economics. You will learn about the type of questions that economics is concerned with and some of the key concepts that it uses, particularly as applied to health and health care. If you have not studied economics before, this chapter will introduce many expressions and concepts that may be new to you. If you have problems fully understanding these concepts initially, don't worry! You will find that they are brought up throughout the book in different contexts and in relation to different types of problems. Ultimately what we expect is that, as you progress through the book, so does your understanding of these concepts and their applicability to 'real world' health issues.

Learning objectives

After working through this chapter, you will be able to:

- explain what economics is and the problems that it seeks to solve
- define and apply a number of fundamental economic concepts
- explain why economics is applicable to health and health care

Key terms

Efficiency. A general term used to describe the relationship between inputs and outputs. It is concerned with maximizing benefits with the resources available, or minimizing costs for a given level of benefit.

Goods. These are the outputs (such as health care) of a production process that involves the combining of different resources such as labour and equipment. Goods (including services) are valuable in the sense that they provide some utility (see below) to individual consumers. They are termed 'goods' as they are desirable, as distinct from 'bads' which you will read about later!

Health sector. Consists of organized public and private health services, the policies and activities of health departments and ministries, health-related non-government organizations and community groups, and professional associations.

Health services. The range of services undertaken primarily for health reasons and that have a direct effect on health, including health care programmes such as health promotion and specific disease prevention and treatment.

Marginal analysis. An examination of the additional benefits or costs arising from an extra unit of consumption or production of a 'good'.

Market. A situation where people who have a demand for a good come together with suppliers and agree on a price at which the good will be traded. A necessary condition for properly functioning markets is a system of property rights to ensure that people can participate in good faith.

Opportunity cost (economic cost). As resources are scarce, an individual, in choosing to consume a good, in principle, chooses the good which gives him or her the greatest benefit, and thus forgoes the consumption of a range of alternative goods of lesser value. The opportunity cost is the value of the benefit of the *next best* alternative.

Resources. These represent inputs into the process of producing goods. They can be classified into three main elements: labour, capital and land. Different goods would generally require varying combinations of these elements. Resources are generally valued in monetary terms.

Utility. The happiness or satisfaction an individual gains from consuming a good. The more utility an individual derives from the consumption of a good, all else being equal, the more they would be willing to spend their income on it.

Welfare (or social welfare). The economic criterion on which a policy change or intervention is deemed to affect the well-being of a society. In general, this is assumed to be determined by aggregation of the utilities experienced by every individual in a society.

Types of economic problems in the health sector

The health sector consists of organized public and private health services (from surgery to health promotion programmes to dentistry), the policies and activities of health departments and ministries, health-related non-government organizations and community groups, and professional associations (WHO 1998). Those responsible for determining and managing different areas of a health sector are typically forced to consider questions such as:

- At what level should hospital fees be set?
- Are taxes on cigarettes a useful way of promoting health through reducing the prevalence of smoking?
- Which is the more effective method of increasing the take-up of health services: price controls or subsidies?
- How should doctors be paid?
- Which treatments are the most cost-effective for people with HIV?

You would probably agree that all of the above can be seen as economic problems. But what is economics and how would you define it?

Economics is the study of *scarcity* and the means by which we deal with this problem. Because resources are essentially limited, choices need to be made about how they are to be used. Economics, as a discipline, is concerned largely with how we make these choices in the context of scarcity. One of the key assumptions generally made in economics is that individuals will make these decisions *rationally*. This means that given good information they will choose to do things, such as utilize health services that will be in their best interests, where 'best interests' is defined as maximizing their *utility* given the resources they have at their disposal.

There are four specific questions that are the primary concern of economics:

- What goods are being produced and in what quantities? (For example: what types of malaria prevention measures are being implemented and how much of each type?)
- How are these goods produced? (What resources are required to produce these malaria prevention measures?)
- How is society's output of goods divided among its members? (Who has access to these measures?)
- How efficient is society's production and distribution? (Can we get the same amount of protection from malaria using fewer resources? Would an AIDS awareness campaign be a more effective use of resources than malaria prevention?)

What is an economy?

'The economy' refers to all the economic activities and institutions within a defined area (usually geographically, related to the political borders of a nation state). So you might refer to the performance of a specific national economy, or the global economy, or perhaps a regional economy.

'Resources' are items within the economy that can be used to produce and distribute goods. Resources can be classified as labour, capital and land:

- labour refers to human resources, manual and non-manual, skilled and unskilled;
- capital refers to goods that are used to produce other goods – for example machinery, buildings and tools;
- land generally refers to all natural resources, such as oil or iron ore.

Most resources are not, in themselves, useful to us as individuals but they can be combined to make something that is useful. This process is called production, and goods are the result of combining resources in the production process. Goods are either consumption goods, which are then used to directly satisfy people's wants, or else they are intermediate goods, which are goods used to make other goods. In economics the term *utility* is used to describe the satisfaction provided by the consumption of goods by individuals while *welfare* is the sum total of utility experienced across all individuals within a society.

Goods are either products that you can hold or touch (e.g. a drug) or else they are services that happen to you (e.g. a consultation). There are two essential characteristics that distinguish different goods:

- 1 *Physical attributes* – an ice cream and a cup of tea are clearly different commodities because they require different manufacturing techniques and because they satisfy different wants.

2 Context in which the good is consumed – for example:

- The time in which the good is available – an ice cream that is available on a hot summer's day is a different good from one available in the cold midwinter.
- The place where the commodity is available – a cup of tea available in a fashionable café is a different good from tea that is sometimes sold at a petrol station.

There are three ways in which individuals can benefit from the ownership of a good. Most immediately, it can be consumed (or used) and thus utility directly derived from it. Taking paracetamol is an example of such consumption because it increases utility by relieving the pain of a headache. Likewise, the use of a non-disposable good (i.e. not designed to be thrown away after use) such as a walking stick provides direct utility for an individual in terms of improved mobility.

The second benefit individuals can derive from (some) goods is their investment value. Although goods provide utility when consumed, goods themselves can also be used as inputs into a production process. For instance, apples might be the output from farm production and consumed immediately, or they can also be used as input into the production of apple pies or cider. People invest because they expect the good to be worth more in terms of its contribution to the production of the final product than its immediate utility. Often, an investment entails a risk such that the end return may be smaller than was expected at the time of investment.

The third benefit derived from a good is exchange value. If you do not invest or consume a commodity then you can sell it and potentially purchase other goods.

Figure 1.1 illustrates the different ways of using a resource (consumption, investment and exchange). Whichever route is taken, the result will be increased utility for the owner of the resource. The route chosen by the owner should depend on which one yields the largest increase in utility for them.

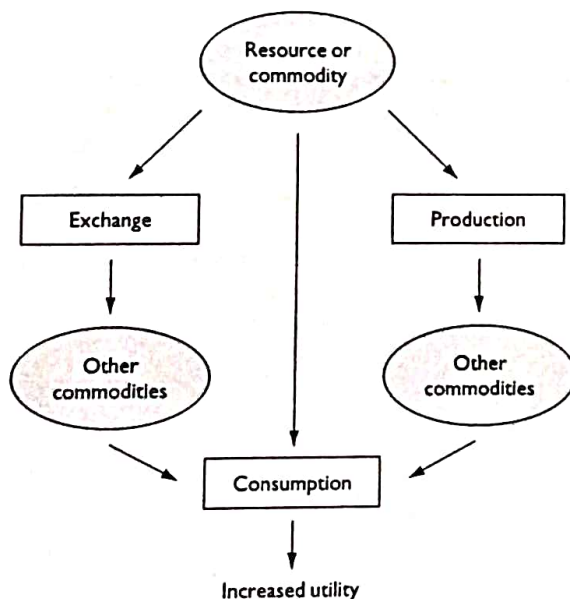


Figure 1.1 Alternative uses of a resource

What is a market?

In economics, the term 'market' is used to describe any situation where people who demand a good come together with suppliers. For it to be a market the buyers and sellers do not have to physically meet – for example, most obviously, trading on the internet can involve networks of individuals in all parts of the world who will never meet. Importantly, a necessary condition for properly functioning markets is a system of property rights to ensure that people can participate in good faith. This means that the transactions made between parties are somehow enforceable and that there are certain understood rules about how people behave in terms of providing information, making payment and delivering goods.

The amount of money that is exchanged for a good is the price. You will find in this book that the price is influenced by the number of suppliers in the market and the amount of money they are prepared to accept. The price is also influenced by the number of buyers in the market and the amount of money they are prepared to pay. Individual consumers or households are usually thought of as being buyers, while firms (or businesses) are associated with supply. However, this is not true in the cases of markets for resources and markets for intermediate goods. For example, in the labour market, households will supply and firms will demand labour.

Figure 1.2 shows a simple model of the flow of commodities, resources and money between households and firms. Households own resources (labour, land, shares in capital) and supply them to firms in return for money (wages, rent, interest and profit). Firms turn resources into goods and supply them to the households, again, in return for money. Households that supply more resources will receive more money and therefore will be able to consume more commodities.

This, essentially, describes markets – that is to say, markets that involve only firms and individuals buying and selling goods. In reality, most markets also have some kind of government intervention. Such intervention in the market might involve levying taxes, fixing prices, licensing suppliers or regulating quality. Alternatively, the government might decide to take control of demand for a commodity and prohibit private demand, or it might decide to take over supply entirely and prohibit private supply. On the other hand, a government might make laws that are intended to 'free up' market forces and

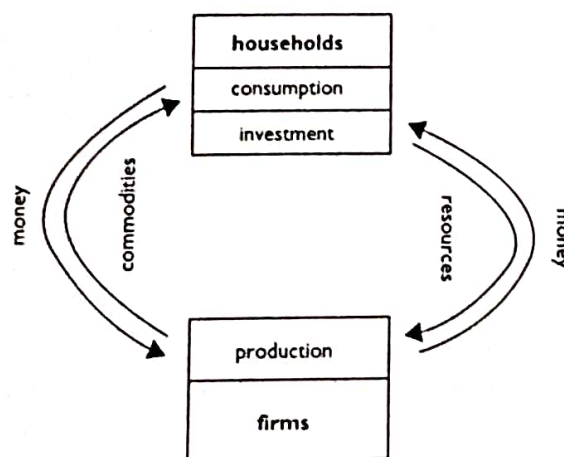


Figure 1.2 The flow of money, resources and commodities