

Health Economics

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Week – 01

Lecture 04- Economics of Health v/s Economics of Healthcare

Welcome friends once again for our NPTEL MOOC module on Health Economics. This lecture aims to clarify the difference between the economics of health and the economics of healthcare. As a progress to the previous lecture, in which we have clarified why health is an economic good and how health is considered an economic good. Now, we are clarifying the difference between the 'economics of health' and the 'economics of healthcare'. There is obvious confusion among the readers regarding these two terms. Based on that, somewhere we will be addressing the quantity issue, somewhere we will be addressing the quality issue, and accordingly, different institutions are designed. The agents we emphasised in the previous lecture are very important while defining the economics of health and healthcare.

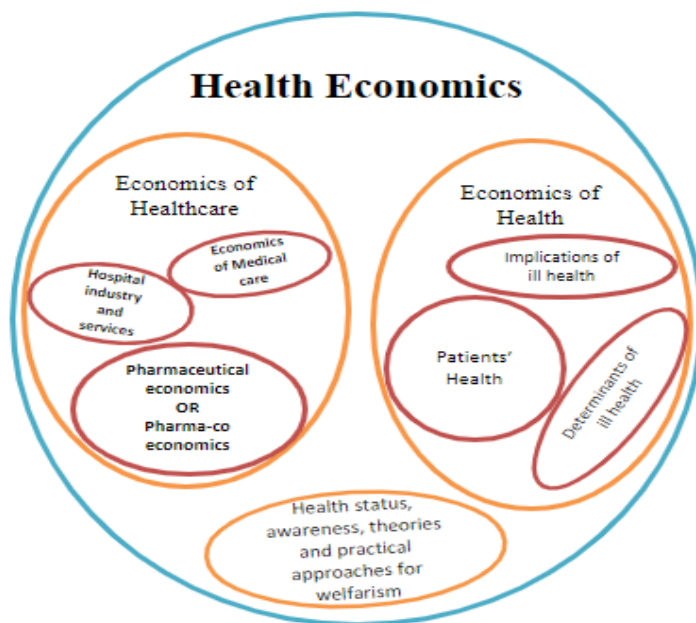
The important learning goals that we have kept in this particular lecture are- understanding the concept (the broader concept) of health economics and differentiating these two. What is the overlap between health and healthcare? It is not just clearly differentiated. Obviously, there are overlaps. We will be emphasising this.

As a broader concept, while exploring or understanding health and healthcare from a distinctive lens of economics, one may find texts using different terms referring to health or healthcare. Often, these two terms are used interchangeably. Some example terms are- health economics, economics of health and healthcare economics or economics of healthcare. Few texts also use names such as 'economics of medical care'. There are also books and articles on 'Pharmacoeconomics' and 'Pharmaceutical economics'. In our understanding, these are broadly interchangeably used, and the thin line between the terms should be clarified.

Therefore, this lecture identifies the point-by-point differences between these two terms. So, we have kept it as a beginner's dilemma- Is the economics of health the same as the economics of healthcare? For a beginner, all these terms might be confusing. Questions such as- "Do these terms refer to the same issues?", "Is it right to use them interchangeably as they or the authors usually do sometimes in different contexts?" and "Why so many terminologies?"

These different terms imply that the concept of health is very complex and significant in different contexts, especially for economic discourses. Health economics (as highlighted

below) is broadly sub-categorised into healthcare and health, i.e., economics of healthcare and economics of health.



When we count the discussion of healthcare, we usually refer to the hospital industry and its services, economics of medical care, pharmaceutical economics or pharmacoeconomics. The economics of health largely deals with implications of ill health (related to patient's health), determinants of ill health, etc. Health economics also includes health status, health awareness, theories, practical approaches for welfarism, etc. These terminologies also suggest that the field of health economics encompasses questions beyond just the provision of health services by healthcare professionals. They are also referred to as healthcare. Instead, it includes a broader range of inquiries related to health itself.

In health economics, though health economists are interested in healthcare as a sector of the economy, they are equally interested in ultimate aims such as improving health. This includes various dimensions of health economics, including healthcare economics, drug or pharmaceutical economics, analysis of the impacts on patient's health, socio-economic implications of ill health, determinants of health, etc. Additionally, theories and empirical approaches to understanding health status, analysing awareness, and adopting different approaches to spreading awareness backed by applicable theories are essential in health economics. So, you can follow these aspects we have already highlighted in this diagram between the lines.

So, elaborating on what health economics inculcates. In other words, health economics studies are not only focused on the provision of healthcare. In fact, in health economics, economists also aim to analyse how healthcare impacts patients' health. Moreover, health economics also focuses its interest on other aspects of individuals' social and economic life

that affect health in one way or another. This includes analysing the effects of education, unemployment, housing, lifestyle, etc., as these are important factors that affect healthcare.

Why is it important to understand the difference between health economics and healthcare economics? It is important to understand because each field has its unique focus and set of tools, and policies are designed accordingly. We clearly distinguish these two, and the policy might be emphasised per the requirement, scenario, or context. A person working under a broader economics category may study a wide range of topics, such as the impact of education on health and the cost-effectiveness of new vaccines, etc. In contrast, healthcare economies are more likely to focus on topics specific to the healthcare sector, such as- impact of hospital, consolidation on healthcare costs, or the pricing of prescription drugs. So, it purely specifies the patient-centric analysis. The peripheral aspects are also covered in another domain we have just mentioned.

A general example of differentiating between these two is mentioned here. A person might study the impact of a new smoking cessation program on smokers' health and the program's cost effectiveness. Basically, some smoking-related drives or programs are mentioned here. How does it impact health, and to what extent? Especially when we say how it impacts health, it is actually specific to the health sector. When we are saying the program's cost effectiveness, we are referring to the economics of healthcare.

Another person might study the impact of new payment methods for hospitalisation on hospital cost and quality of healthcare. This is concerning healthcare. The first is part of health economics, which we have just mentioned, where we are emphasising the program. And on the second, we are referring to the health care, economics of health care. An economist could study both of them, i.e., health and healthcare. However, he or she would focus on different aspects of economics, maybe in a micro or macro context.

So, some of the practical examples are also given in the readings. Here, we are citing one- A study of the cost-effectiveness of making COVID-19 vaccines available to all people. Regardless of their healthcare system, availability would depend on the economics of healthcare. So, I mean, the vaccines' availability is part of the economics of healthcare. Whereas the implications of those vaccines on the patient and their effectiveness of this is actually part of the economics of health. Impact of different COVID-19 vaccines and the distribution strategies on healthcare capacity and cost would come under healthcare.

Therefore, the healthcare is more core so far as health economics is concerned. It is core in that it directly addresses the patient's need whereas the first (economics of health) addresses the system as a whole. So, under the economics of health, an economist might calculate the cost of vaccinating everyone in a country, including uninsured or underinsured, estimate the number of lives that would be saved by vaccinating everyone, compare the cost of vaccinations to the benefits in terms of lives saved and healthcare cost avoided. However, under the economics of healthcare, the economist might study how different COVID-19 vaccine distribution strategies would affect the demand for healthcare services. They may also estimate how different distribution strategies affect healthcare

system capacity and cost. And the impact of distribution strategies on equity and access to care is part of healthcare aspects, economies of healthcare aspects.

To summarise these examples, we can discuss that both persons in the given context could study the impact of the COVID-19 vaccine and healthcare system availability. However, they would focus on different aspects of the issue (which we have already said). The first economist is more interested in the overall cost effectiveness (which I have just said) of the vaccination (focusing on micro level analysis). The second economist is more interested in the impact of vaccination on the healthcare system, which is, in a larger context, understanding whether the impact can be replicated in different contexts. Therefore, we are saying it is a macro-level analysis. Here, you can distinguish between two things: the micro level and the macro level. We will also clarify these in different chapter. There might have been some confusion at this moment, but we especially wanted to say that when we are emphasising a particular program that does not address purely healthcare, that is called economies of health. Whereas, when we are emphasising the impact, etc., particularly related to the quality of something (like the quality of the care, etc.), it is part of the healthcare system and the economies of healthcare.

This is just one example of how health economics and healthcare economics can be used to study the same issue from different perspectives. Moreover, we have already followed different examples and different directions in our previous slides. We learned that although the economies of health and economics of healthcare are subgroups of a broader complex topic, i.e., health economics. Still, both subtopics can be differentiated in a range of ways. So, those broader ranges are highlighted below-

1) Definition	2) Scope
3) Methodologies	4) Demand
5) Supply	6) Access
7) Financing	8) Policy

So, we will distinguish 'economies of health' and 'economies of healthcare' through their definition, scope, methodologies, demand and supply access, financing issues and policy directions. Understanding the distinctions between them is crucial for effective decision-making in the healthcare sector. Therefore, we need to identify each of them very carefully.

As far as definition is concerned, health economics is the study of allocating scarce resources to improve the health of individuals and populations. In contrast, healthcare (about particular aspects), especially healthcare economics, is a soft field of health economics that focuses specifically on the healthcare sector and from a broader perspective, including populations' healthcare utilisation patterns. It studies the production, consumption and distribution of healthcare goods and services. Whereas, as far as economies of health are concerned, economic theory and methods are used to analyse the cost, benefits, and efficiency of healthcare interventions, programs, and policies.

The economics of healthcare studies the production, consumption, and distribution of healthcare goods and services, which I have already mentioned. Healthcare economics use economic theory and methods to analyse the structure and functioning of healthcare markets and the impact of healthcare policies and interventions on the healthcare system. As far as the scope-wise distinctions are concerned, primarily in the case of economics of health, the focus is on microeconomic aspects of health, delving into individual patient choices, healthcare provider behaviours and resource allocation within healthcare facilities. Whereas, the economics of healthcare are concerned with broader scope encompassing, including healthcare financing, policy analysis and system-level assessment. Hence, it examines the macroeconomic aspects of healthcare delivery and administration.

Now, coming to the points of demand and supply. First, we are now sticking to the explanation of demand. Economists term the demand for health as not something they just want, but something they need. Such as individual patient choices, preferences, and behaviour-related healthcare utilisation. Whereas, for economics of healthcare, economic terms demand for healthcare as the derived demand from the demand of health. It considers healthcare demand from a broader or macro context, including population-level healthcare utilisation patterns.

So far as supply is concerned, the economics of health focuses on resource allocations within healthcare facilities and provider behaviour. Whereas, the economics of healthcare consider healthcare supply in terms of broader healthcare system, including the number of healthcare facilities, healthcare professionals, medical technology and their availability, etc. In terms of methodology-wise comparison, while both fields are related to health economics, they have unique areas of focus their methods and analysis. Like in economics of health, it utilises methodologies such as cost-effectiveness analysis (CEA), broadly discussed to assess the value of healthcare interventions. It measures the cost and outcomes to determine most efficient allocation of resources. Utility assessment is also a common tool to gauge patient preferences.

Whereas in case of the other one, it often employs policy analysis to evaluate the impact of healthcare policies on various stakeholders. Econometric modelling is frequently used to analyse complex healthcare data and estimate the effects of policy changes. And therefore, economics of healthcare are largely being used in different papers in recent times, emphasising the number of directions.

Accessibility in economics of health explores healthcare access, primarily at the individual level (which I have already said), considering personal barriers to care. Whereas in case of economics of healthcare, accessibility refers to analysing the access which is constrained to systemic barriers and disparities in healthcare availability. Another distinction is through financing aspects. The economics of health touches on issues such as financing but primarily focuses on microeconomic aspects like individual finance for healthcare choices and resource allocations. Whereas in the economics of healthcare, the focus is on the mechanism by which healthcare services are funded and paid for, including insurance

systems or government schemes, funding, etc.

Then, we come to policy interpretations or policy differences to distinguish between the economics of health and healthcare. Economies of health address policy, but often at a microeconomic level, looking at individual patient decisions and their economic implications. Meanwhile, the economics of healthcare addresses healthcare policy extensively, including government regulations, healthcare reforms, and their impact on healthcare systems. It is not just the important distinctions; there are also overlaps between these two.

It is important to note that there is an overlap between these two. For example, the allocation of resources to improve health is concerning both approaches, maybe for economies of health as well as economies of healthcare. Another important overlap between these two fields is the social determinants. They are part of economies of health, and they are also part of economies of healthcare. So, we have highlighted that the socio-economic determinants or situations determining the choice functions or defining health as an economic good. I think we have also cited some of the other clarifications and these socio-economic conditions can significantly impact people's health and healthcare costs. Therefore, they are overlapping in both the explanations. Both health and healthcare economists are interested in studying the impact of social determinants on health and healthcare costs.

So, in short, we need to conclude about what is the necessity of distinguishing these two. There are distinctions based on specific policy designs for specific evaluations. However, there are complementary traits between these two fields as well. Some of the targets require a joint evaluation of micro and macro perspectives. Health economics and healthcare economics are distinct but complementary fields of study. Health economists and healthcare economists use their skills and knowledge to improve health and healthcare in different ways. The interaction between health and healthcare broadens our understanding of the health determinants and the cost and benefits of different healthcare interventions. It can provide a more comprehensive understanding of the health sector, including the behaviour of healthcare providers, consumer structure, the function of healthcare markets and their impacts on healthcare policies. Especially on this distinction, we can clearly draw certain understanding of interventions in healthcare systems. So, we have discussed largely the distinction between these two.

In our coming class, we will extend and explore the deep-rooted dimensions and complexities of these two fields. But, before unveiling those dimensions, one needs to know the reasons behind the complexity of health economics. Therefore, we need to find answers to some of the important questions, such as what makes health and healthcare different from other economic goods? And what makes healthcare special? The answers to these questions are important as these questions were raised in the last lecture, where we have explained that health is an economic good.

So, the last lecture of this week would surely provide a destination for the minds seeking the answers to the question, and that too from Arrow's perspective, who laid the foundation of health economics. I think that will help you develop your understanding of health economics and how Arrow's perspectives are defined in healthcare, mainly in terms of social choice functions. We have cited some references. I think those will also be helpful enough for your preparation for the exam and for understanding health economics as a discourse. With this, I think it is time to close. Thank you.