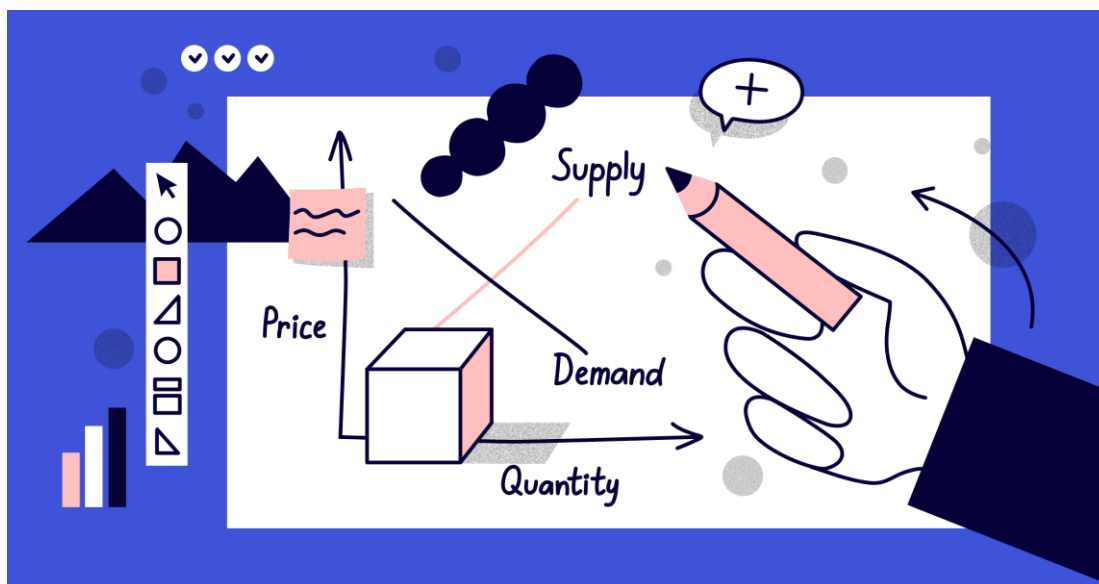




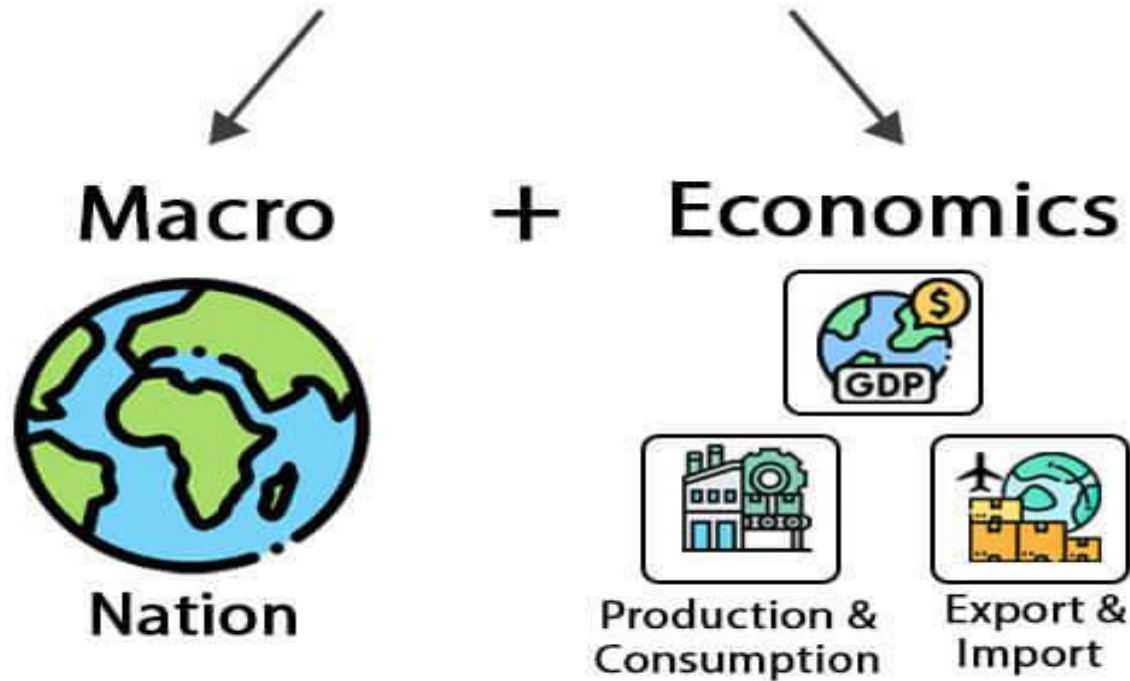
Healthcare Economic Terms:

2- NEED, WANT and DEMAND



Dr. Omnia
Elmahdy

Macroeconomics



Macroeconomics studies a nation's economy on a global level

The major Macroeconomic variables including:

- National income, الدخل القومي
- National expenditure, الإنفاق القومي
- GDP (Gross Domestic Product)
- General level of prices (inflation),
- Unemployment rates,
- Budget deficits, العجز في الموازنة
- Foreign debt الديون الخارجية



•In healthcare, the macroeconomic market is the entire country's health care system including the way that it performs in terms of profit, loss and efficiency.

•Macroeconomics of health is concerned with parallel sets of large – scale system issues concerning:

○Spending for employment and other aspects of health as part of the economy.

○Biological health status: life expectancy/ fertility/
productivity

- **Microeconomics** studies the decisions of individuals and firms to allocate resources of production, exchange, and consumption.
- Microeconomics deals with prices and production in single markets and the interaction between different markets but leaves the study of economy-wide aggregates to macroeconomics.


Microeconomics is the study of individual and business economic activity. Two examples are:

- An individual creating a budget to put themselves in a better financial position; and
- A business cutting costs تخفيض التكاليف in order to maximize profit

MICROECONOMICS

A study concluded that health care quality to an important degree depends on **four institutional factors at the microlevel** that strongly impact on health workers:

1. **Performance,**
2. **career choice,**
3. Which deserve **more attention in applied research,** and
4. Policy **reform.** اصلاح السياسات



Microeconomics

[mī-krō-,e-kə-'nä-miks]

The study of how individual actors make choices in response to changes in incentives, prices, resources, and/or methods of production.

Investopedia

Need

• I *physically need* water to survive



Want

• I *want* clean, safe to drink, good tasting water



Demand

• I *create a demand* for Smartwater since it is vapor distilled with added electrolytes for taste



Difference Between Needs, Wants & Demands



NEED

The basic requirements for human beings to survive.

Ex: Food, Shelter, etc.



WANT

Need when shaped by culture and individual personality becomes want.

Ex: Owning a basic car or a two-wheeler



DEMAND

When backed by buying power, want becomes a demand.

Ex: Owning a BMW or Audi



Need : This is often thought of as a **physiological or biological** requirement for **maintaining life**, such as the need for air, water, food, shelter, and sleep.

Physiological **needs** should be contrasted with psychological **wants** that make life more **enjoyable** but are **not necessary to stay alive**.

Examples of a "need":

Include basic **medical service**, **educational programs**, **assistance in obtaining food**, **shelter**, **clothing**, **transportation**, **heat** and **job training**.

Needs are distinguished from wants because a deficiency would cause a clear **negative outcome**, such as dysfunction or death.

How are such needs satisfied?

There are broad categories basic needs"':



1. Adequate **nutritional** food and water
2. Adequate protective **housing**
3. A **safe** environment for **working**
4. A supply of **clothing**
5. A safe **physical environment**
6. Appropriate **health care**
7. **Security** in childhood
8. Economic security
9. Safe **birth control** and child-bearing
10. Appropriate basic education

NEEDS VS WANTS

NEEDS

Basic needs refer to the requirements that are essential for an individual to survive and function optimally. Without satisfying these needs, an individual's health, safety, or well-being may be compromised.

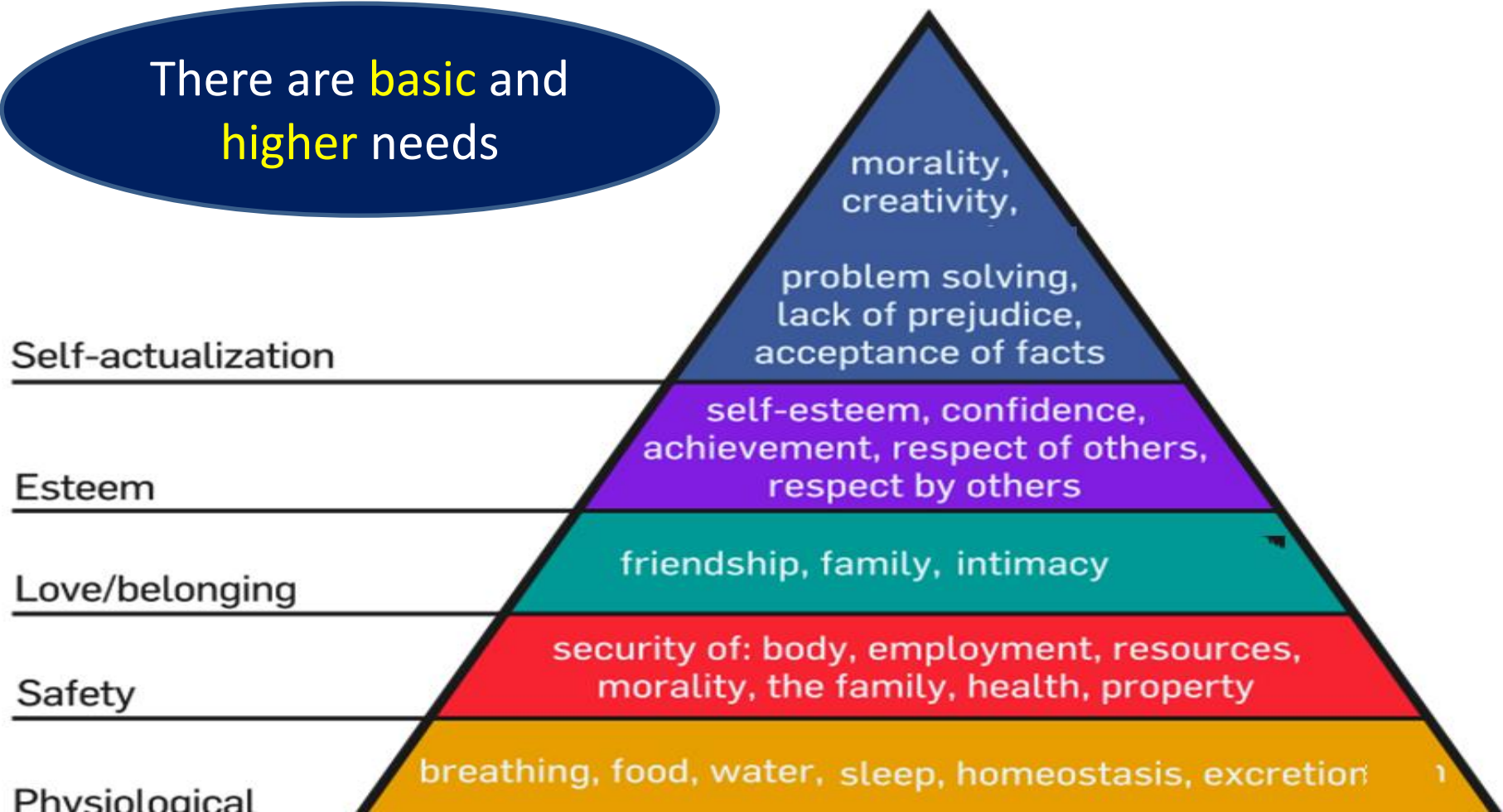
WANTS

Wants are desires or aspirations that individuals seek to attain or possess, often driven by personal preferences or societal influences. Unlike needs, wants are not crucial for achieving our goals but add comfort, pleasure, or luxury to one's life. They are often influenced by cultural, social, or individual tastes and can change over time.

Maslow's hierarchy of needs:

He proposed that people have a **hierarchy of psychological needs**, which range from **security to self-actualization**

There are **basic** and **higher** needs



Demand is the **ability and desire to pay** for goods and services.

If there is a **high demand**, the for-profit sector, governments will **supply those wants** .

Demand refers to how much (**quantity**) of a product or service is desired by buyers or consumers.

The quantity demanded is **the amount of a product people are willing to buy at a certain price**; the **relationship between price and quantity** demanded is known as the **demand relationship**

In general, demand reflects :

- Population **health needs**,
- Their **ability to pay** for service utilization
- **Availability** of services to be used.

Demand

Objectively observable as behavior in the market. Money is a key factor. "Demand" is also called "effective demand," because it's expressed only by spending money.

- Health is treated as a store which **degrades** يتدهور over time in the absence of "**investments**" in health, so that health is viewed as a sort of wealth.
- Investment in health is **costly** مكلف

Need versus demand...

- Health plans that focus on need and ignore demand will face under- or over-utilization of service capacity
- If one believes quantity demanded is too little or too much (e.g. under-use or over-use of emergency room) relative to need, then quantity demanded must be manipulated by changing,
 - price or other costs to buyer, or
 - demand through marketing or de-marketing

A model of demand for medical care...

- According to Michel Grossman, consumers have a demand for health for two reasons:

سلعة استهلاكية

- Health is a **consumption** commodity—it makes the consumer **feel better**

سلعة استثمارية

- Health is an **investment** commodity—a state of health will determine the amount of **time available** to the consumer for productivity

Grossman's demand model...

- According to this model every one inherits a **stock of health** when born
- Health **depreciated** overtime, however an investment is required to sustain health
- As peoples' age advances there is an **increase** in rate of illness and in the **utilization** of health services.
- The stock of health can be sustained by **investment** to maintain health., such as use of health services and health promoting activities

Grossman's demand model...

- A view of medical care demand being derived from the **demand for health** implies the following:
 - increase in **age** result in an increase in the rate at which the person's **stock of health depreciates**
مخزون الصحة ينخفض
 - Over the life cycle people will attempt to offset part of the increased rate of depreciation in their stock of health by **increasing** their **expenditure** on health
التعويض عن طريق زيادة الانفاق الصحي
 - the demand for medical care will increase with increases in **person's income**

Quantity demanded is negatively related to price. This implies that the demand curve is downward sloping (**holding ALL other variables constant**)

- **Law of Demand** قانون الطلب
 - The *law of demand* states that, the quantity (q) demanded of a good falls when the price (p) of the good rises

Demand Schedule

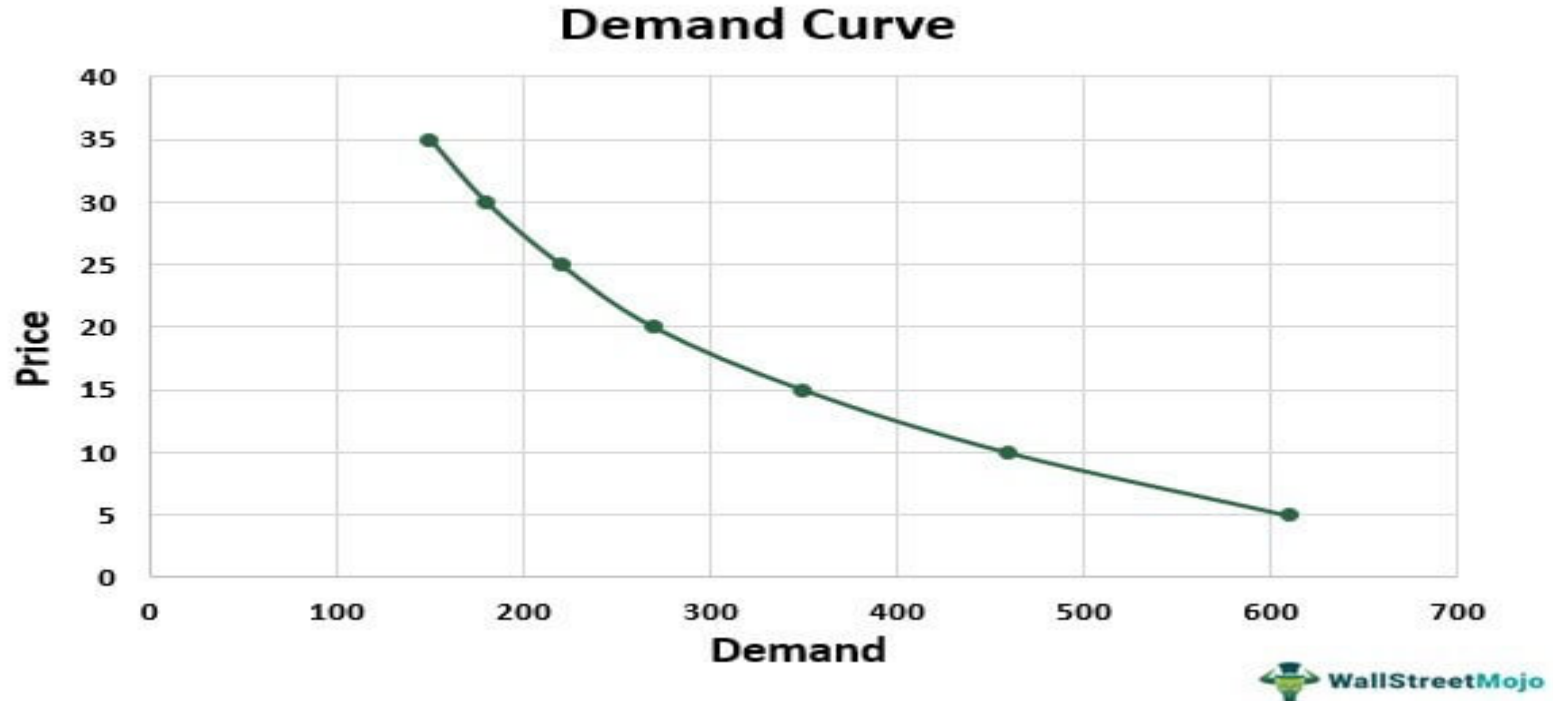
- The *demand schedule* is a table that shows the relationship between the price of the good and the quantity demanded.

Market Demand Schedule	
Price (\$)	Quantity Demanded (units)
5.00	610
10.00	460
15.00	350
20.00	270
25.00	220
30.00	180
35.00	150

Market Demand Schedule	
Price of a Small Soda	Number demanded per day
\$0.25	890
\$0.50	500
\$0.75	480
\$1.00	470
\$1.25	410
\$1.50	350
\$1.75	280
\$2.00	240
\$2.25	200
\$2.50	150
\$2.75	100

Demand Curve

- The *demand curve* is a graph of the relationship between the price of a good and the quantity demanded.



Price of Ice-Cream Cone

\$3.00

2.50

2.00

1.50

1.00

0.50

0

1

2

3

4

5

6

7

8

9

10

11

12

Quantity of Ice-Cream Cones

1. A decrease in price ...

2. ... increases quantity of cones demanded.

Price of Ice-Cream Cone	Quantity of Cones Demanded
\$0.00	12
0.50	10
1.00	8
1.50	6
2.00	4
2.50	2
3.00	0

Understanding The Concept of Needs, Wants and Demands

Needs

- States of deprivation
- Physical - food, clothing, shelter, safety, water
- Social - belonging and affection
- Individual - knowledge and self-expression

Wants

A want is a product desired by a customer that is not required for us to survive. So, want is the complete opposite of need, which is essential for our survival.

Demands

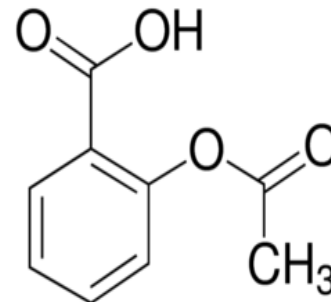
If a customer is willing and able to buy a need or a want, it means that they have a demand for that need or a want.

Substitutes بدائل

- Other goods or services which **satisfy the same wants** or provide the same characteristics
- E.g;
 - Doctor versus general practitioner
 - Generic and brand name medications
 - Private and public hospitals
- If the generic medication decreases in price, demand for brand name will decrease



Dr. Omnia Elmahdy



How can we reduce the quantity of smoking demanded in the population ?



How can we reduce the quantity of smoking demanded

1. Public service announcements, mandatory health warnings on cigarette packages, and the prohibition of cigarette advertising on television are policies designed to **reduce the demand for cigarettes**.
2. Raising the price of cigarettes (through tobacco taxes) **lowers the quantity of cigarettes demanded**

3. Studies have shown that **a 10% increase in the price** of cigarettes causes a **4% reduction in the quantity** of cigarettes demanded. For **teens a 10% increase in price** leads to **a 12% drop in quantity** demanded.
4. Studies have also shown that a decrease in the price of cigarettes is associated with greater use of marijuana. Thus, it appears that tobacco and marijuana are complements.