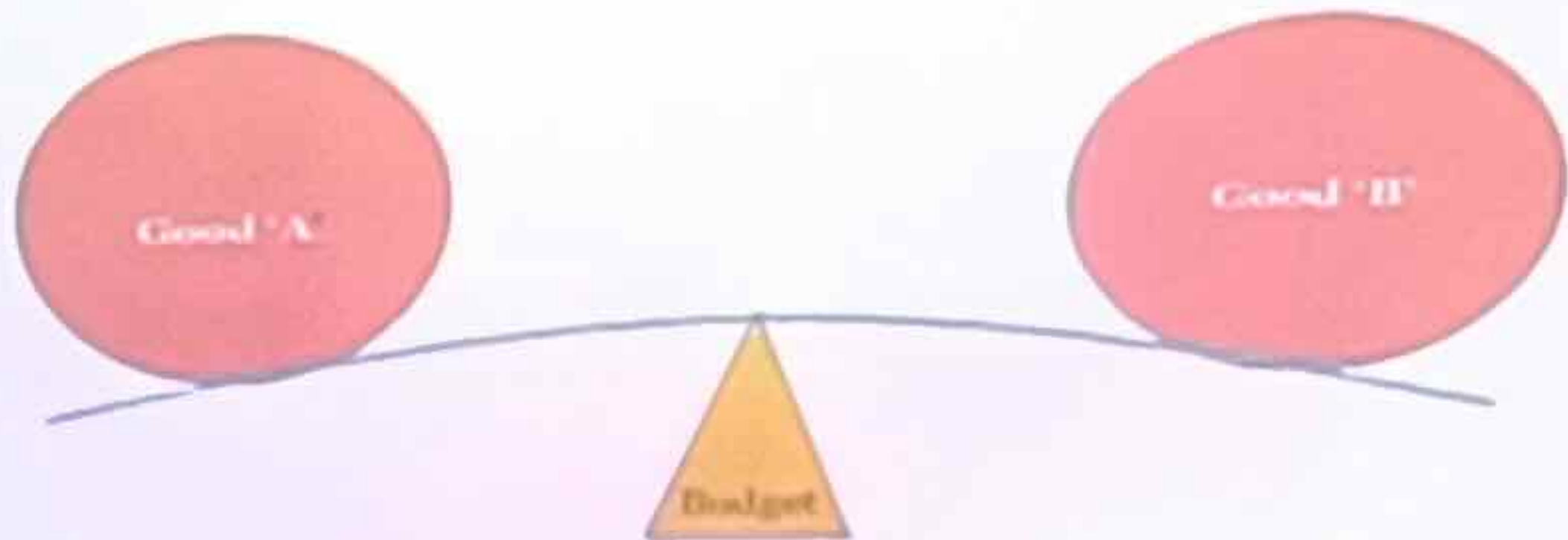


Economics is about choice



**Unlimited
Wants**

**Limited
Resources**

SCARCITY

Choices

**What to
Produce**

**How to
Produce**

**For Whom
Produce**

- Scarcity is not the same as a shortage



These sacrifices التّضحيات are referred to as opportunity cost. تكلفة الفرصة.

Health for all :

Attainment (achievement) of a level of health that will enable every individual lead a socially and economically productive.

ALMA ATA DECLARATION

- ❑ It expressed the need for urgent action by all governments, all health and development workers, and the world community to protect and promote the health of all people.
- ❑ It was the first international declaration underlining the importance of primary health care.
- ❑ The primary health care approach is the key to achieving the goal of "Health For All".
- ❑ It consider health as a human right.

SCARCITY

of a resource implies natural limitation in the availability of a resource, whereas

SHORTAGE

means temporary and man-made unavailability.



Health care services:

- Promotion, i.e. , health education
- Protection , i.e. , immunization
- Curative care , i.e. , medical or surgical etc....
- Rehabilitation , i.e. , physiotherapy



Primary health care

1. The "first" level of contact between the individual and the health system.
2. Provided through primary health centers by primary care physicians

Primary health care is :

- ↓ essential health care
- ↓ acceptable
- ↓ accessible
- ↓ through community full participation
- ↓ at an affordable cost.

➤ PHC physicians:

1. treat minor illnesses.
2. perform health checkups and routine tests.
3. keep records.
4. coordinate with specialists through referrals.

Universal coverage

All people have access to the full range of quality health services they need, when and where they need them, without financial hardship

It is inclusive شامل. It unifies services and delivers them in a comprehensive and integrated way and ensure financial protection to all citizens based on primary health care."



Secondary health care

1. More complex problems are dealt with
2. Comprises curative services
3. Provided by the district hospitals through specialists
4. The first referral level

Tertiary health care

1. Offers super-specialist care
2. Provided by teaching hospitals or highly specialized centers with advanced medical investigation and treatment..
3. Provide **training** programs for health care providers (doctors, dentists, nurses, medical alliance .)

- A strong medical tourism need new medical facilities.
- Jordan has a significant number of refugees requiring medical services
- The country has 69% of the population under 30, and 37% under the age of 15.

Similarities between physicians and economists:

1. Both are dealing with human life
2. Both dealing with numbers.
3. Often must take difficult choices, by comparing benefits and risks

Differences between physicians and economists:

Physicians are usually concerned about individual patients, while Economists are usually concerned with large aggregations

مساواة



Equality

عدالة



Equity

- **equality**, calls for **equal treatment** for all patients, while **health equity** prioritizes **treatment and care based on need**

Different countries across the world adopt different health care systems, according to priorities.

Priority: A ranking of problems, needs or solutions in order of preferences based on views derived from data and intelligent judgment.

Factors that control ranking are:

1. Prevalence of the problem.
2. Seriousness of the problem.
3. Availability of effective measures.
4. Community concern.

Investment in health is not only a desirable, but also an essential priority for most societies.

Why is healthcare cost rising so quickly?

1- Increasing role of governments and social insurance,
because of:

- Universal coverage.
- A healthy population is more productive.
- A private market in the health care services is profit maker and thus may deprive many people.

2- Mechanization of health care services

3- Population increase in general and particularly the elderly (65 years+), because of:

- Co-morbidity,
- Multiple health problems that need treatment and assistive devices.

4- Chronic diseases:

Increased need for treatment of ongoing illnesses and long-term care.

5- Lifestyle factors, such as :

- eating an **unhealthy diet**,
- **smoking**,
- **lack of exercise** or physical activity.

6- Hospital care

⚡ In order to **attract patients**, many hospitals overspent on high-tech equipment.

7- Cancer is on the up globally

This rise is attributed to:

True increase

False increase

Over half of people who develop cancer now survive, and need treatments that are extremely costly and often long courses of therapy are needed.

Health systems face challenges, such as:

1. ageing populations,
2. growing prevalence of chronic illnesses,
3. intensive use of expensive technologies.
4. higher expectations
5. resolve persistent inequities.

- ↳ **Poverty**, adversely affects life expectancy by affecting nutrition, morbidity and mortality
- ↳ Health expenditures are determined mainly by national income, through insurance coverage .

- Countries with **weak health and education conditions** find it harder to achieve sustained growth.

Ten Principles of Economics



Principle #1:
People Face Tradeoffs

Choices

Recognizing that tradeoffs exist does not indicate what decisions should be made

Principle #2:

The Cost of Something Is What You Give Up to Get It

- Comparing costs and benefits of alternatives.
- The opportunity cost of an item is what you give up to obtain that item.

$$\text{Opportunity Cost} = \frac{\text{What One Sacrifice}}{\text{What One Gain}}$$

Principle #3:

Rational People Think at the Margin

The decision to choose one alternative over another occurs when that alternative's marginal benefits exceed its marginal costs!



Principle #4:

People Respond to Incentives

Marginal changes in costs or benefits motivate people to respond

Principle #5:

Trade Can Make Everyone Better Off

- Trade allows people to specialize in what they do best • It's often "both sides win"

Principle #6:

Markets Are Usually a Good Way to Organize Economic Activity

A market economy is an economy that allocates resources through the decentralized decisions of many firms and households as they interact in markets for goods and services.

A perfectly competitive market characteristics:

1- There are many buyers and sellers .

2- Buyers and sellers act independently

3- Buyers and sellers are free to enter or leave the market at any time

4- There is consumer sovereignty



Invisible Hand



Command Economy

- This is done by centralized planning of economic life
 - Allocation choices are made by the government rather than the consumer
 - Government prevents any economic failure
-
- Decisions may be inefficient
 - Centrally-planned economies have FAILED because they did not allow the market to work

Principle #7:

Governments Can Sometimes Improve Market Outcomes

- two broad reasons to interfere with the economy: **the promotion of efficiency and equity.**
- **Market failure** occurs when the market **fails to allocate** resources **efficiently.**
- **Market failure may be caused by**
 - **An externality,**
 - **Market power,** which is the ability of a single person or firm to unduly influence market prices.

Monopoly

?

Principle #8:

The Standard of Living Depends on a Country's Production

The explanation for differences in living standards lies in differences in productivity.

- Productivity is the amount of goods and services produced from each hour of a worker's time.

Principle #9:

Prices Rise When the Government Prints Too Much Money

- Inflation is an increase in the overall level of prices in the economy.
- When the government creates large quantities of money, the value of the money falls.

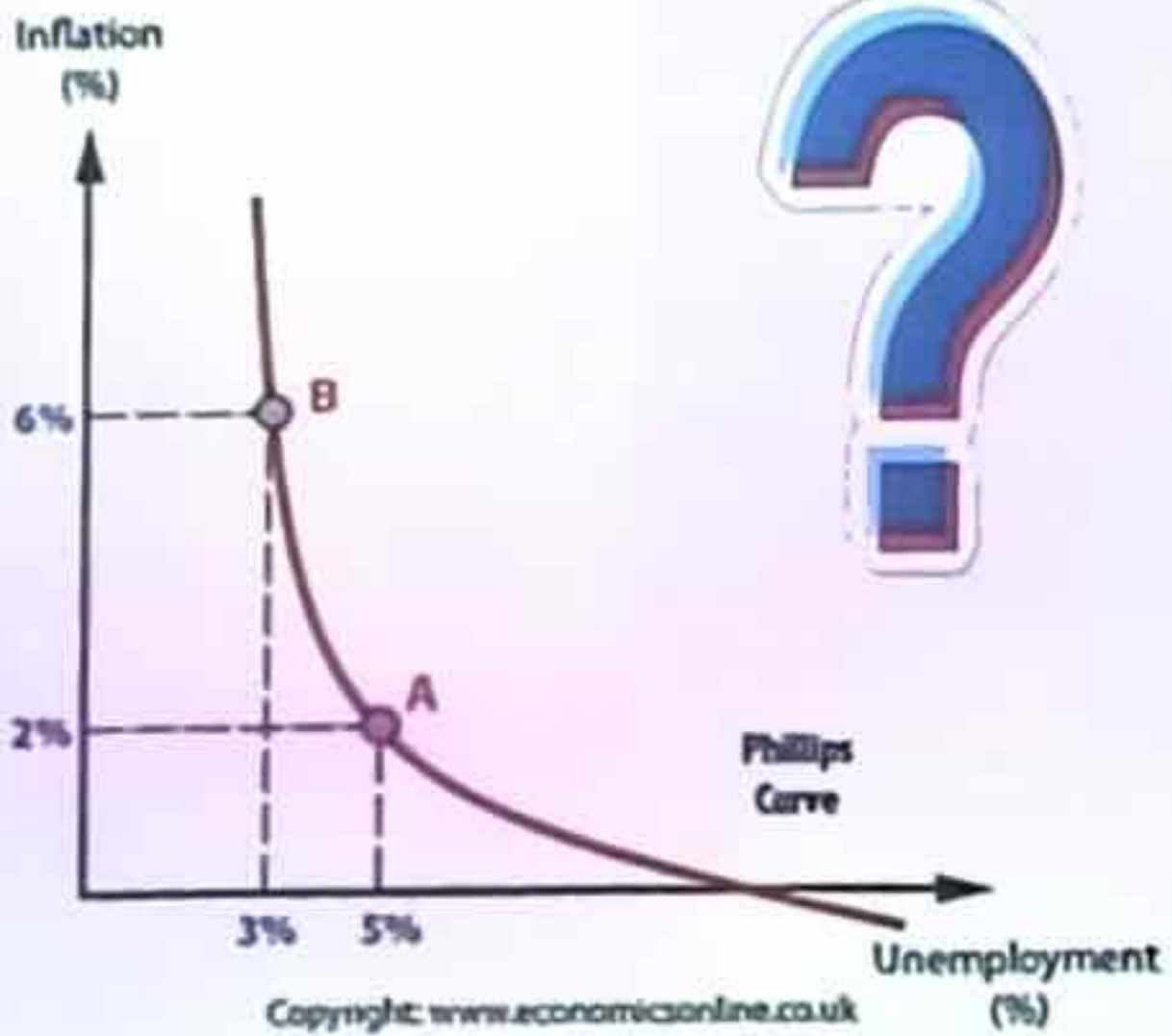
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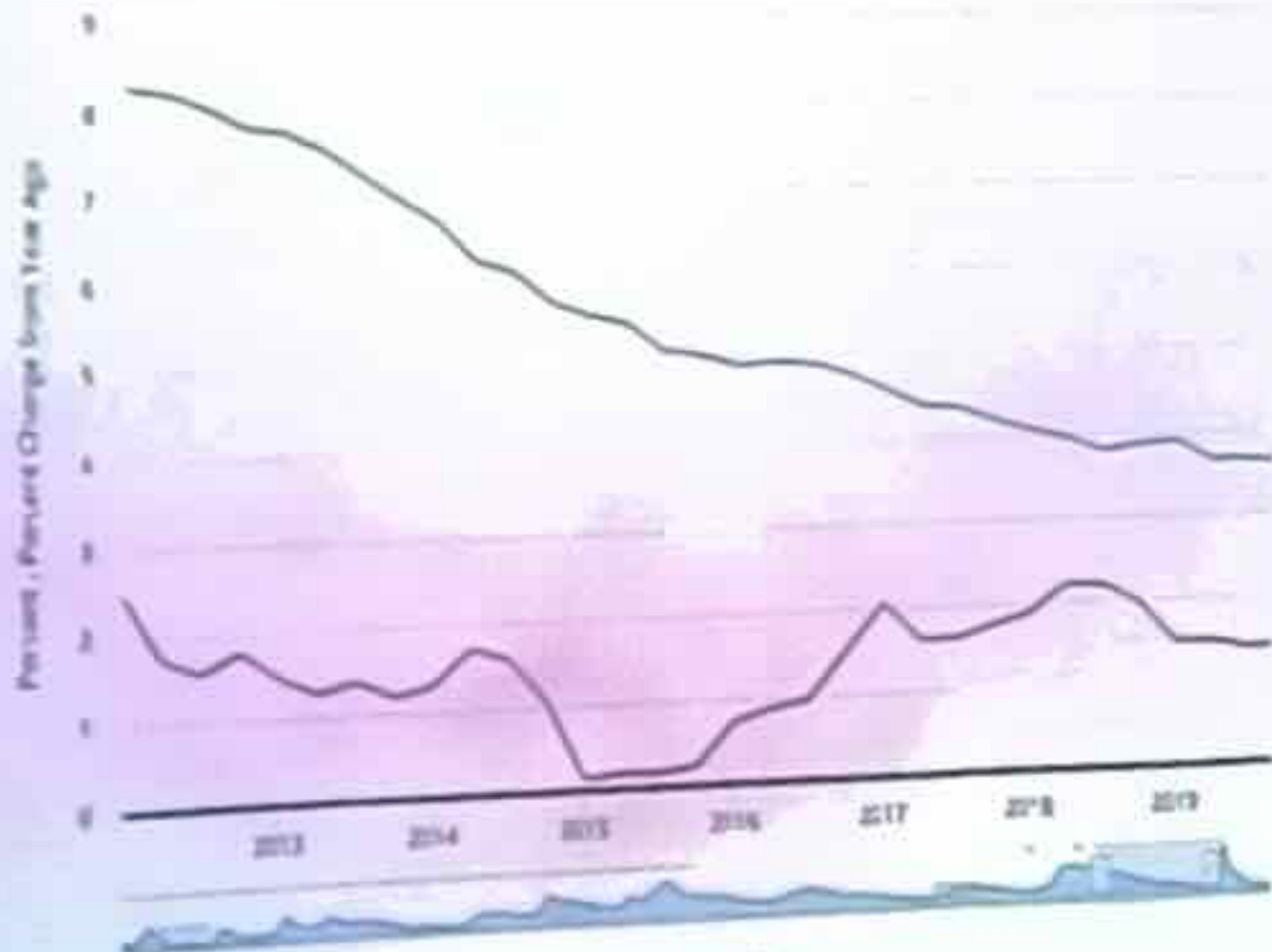
Principle #10:

Society Faces a Short-run Tradeoff Between Inflation and Unemployment



FRED and

— Unemployment Rate
— Personal Consumption Expenditures: Chain-type Price Index



Source: BLS, BEA

Dr. Anna Orshchak

Cost

impose on patients, their families and agencies and health sector itself. **(Also, opportunity lost)**

the perspective of a health economist are likely to differ from those by an accountant.

There are basically three stages in costing health care services:

- (1) Identification of costs
- (2) Measurement of identified costs;
- (3) Interpretation

Direct vs indirect cost

1. Direct costs

These relate to the use of resources directly as a result of the treatment and health care process. AND to patients, in terms of time costs, transport costs and out-of-

2. Indirect costs/productivity costs

These relate to 'losses' to society

It is 'productivity costs' which refer to 'the costs associated with lost or impaired ability to work or to engage in leisure activities due to morbidity and lost economic productivity due to death.

3. Intangibles غير ملموسة

These relate to the **distress, suffering, anxiety** and **Impact on quality of life (QOL)** resulting from illness and poor health and their treatments. (These are the things that **have to be experienced**)

Fixed cost مصاريف ثابتة	Variable cost مصاريف متغيرة
Cost of production, which does not vary with time , or with size of production (output) over time	Cost of production, which varies with time and size of production (output).
- Cost of building	- Worker supplies - Lab supplies Medications



Average Cost

Numerator

$$\text{Average Cost Formula} = \frac{\text{Total Cost of Production}}{\text{Number of Units Produced}}$$



When average costs are falling, there exist economies of scale; when average costs are rising, there exist diseconomies of scale

Friction cost:

Value of production lost due to time needed to find a replacement worker and restore production to a previous level.

Marginal cost:

This is the cost of delivering one extra item of services

The major Macroeconomic variables including:

- National Income, National expenditure, GDP, Inflation, Unemployment, Foreign debt

• In healthcare, the macroeconomic market is the entire country's health care system.

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.

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.

Difference Between Needs, Wants & Demands



NEED

The basic requirements for human beings to survive

Ex: Food, Shelter, etc.



WANT

Formed when shaped by culture and individual personality becomes want

Ex: Owning a basic car or a two-wheeler

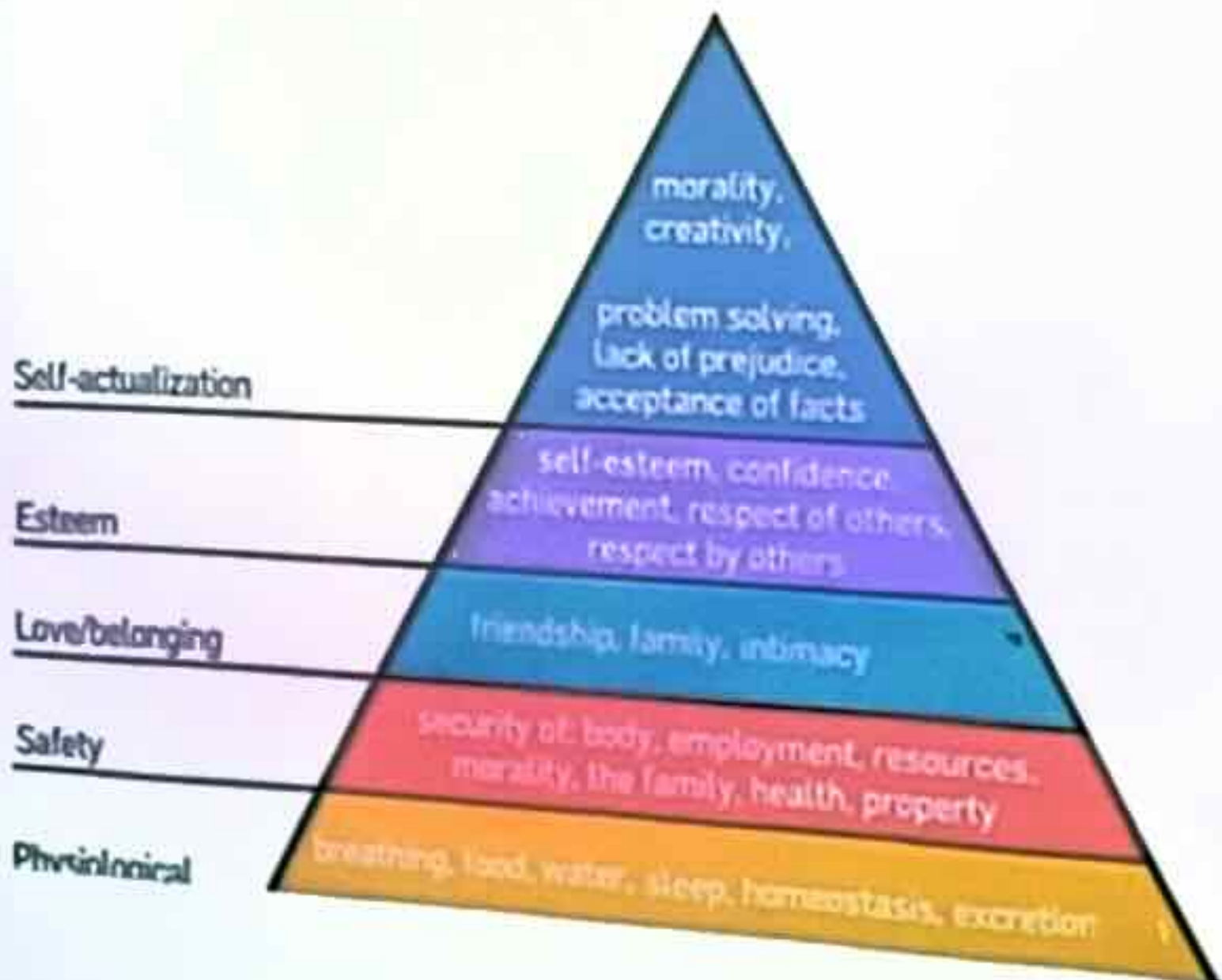


DEMAND

When backed by buying power, want becomes a demand

Ex: Owning a BMW or Audi





- Demand is the ability and desire to pay for goods and services.
- The quantity demanded is the amount of a product people are willing to buy at a certain price.

In general, demand reflects :

- Population health needs,
- Their ability to pay
- Availability of services.



Grossman's demand model

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

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

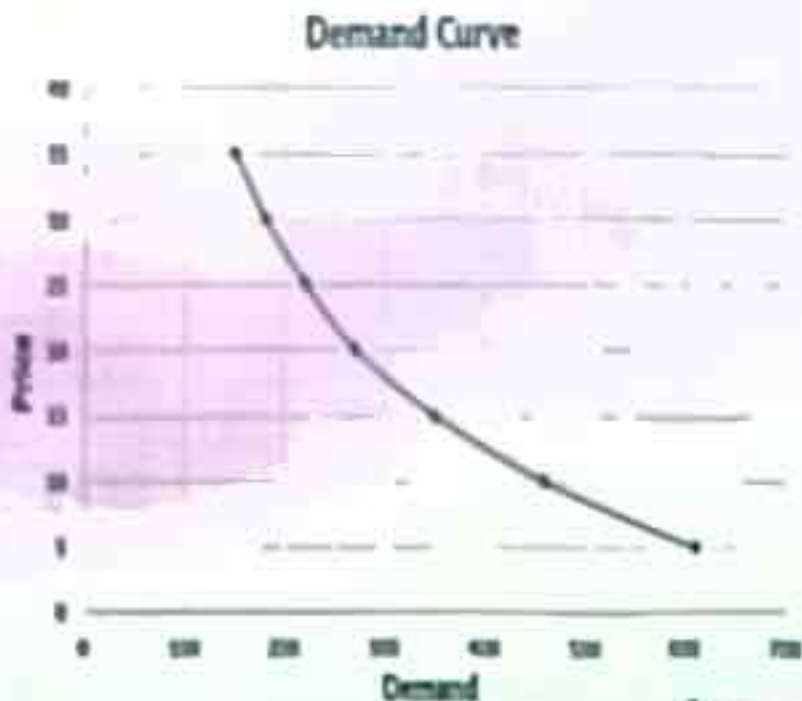
➤ According to this model every one inherits a **stock of health** when born

– the demand for medical care will increase with increases in **person's income**

• 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

Price (T)	Quantity Demanded (units)
5.00	610
10.00	460
15.00	350
20.00	270
25.00	210
30.00	160
35.00	120



Substitutes بدائل

- Other goods or services which satisfy the same wants or provide the same characteristics
- If the generic medication decreases in price, demand for brand name will decrease

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

1. Public service announcements, mandatory health warnings on cigarette packages, and the prohibition of cigarette advertising.
2. Raising the price (through tobacco taxes). It affects teens the most.

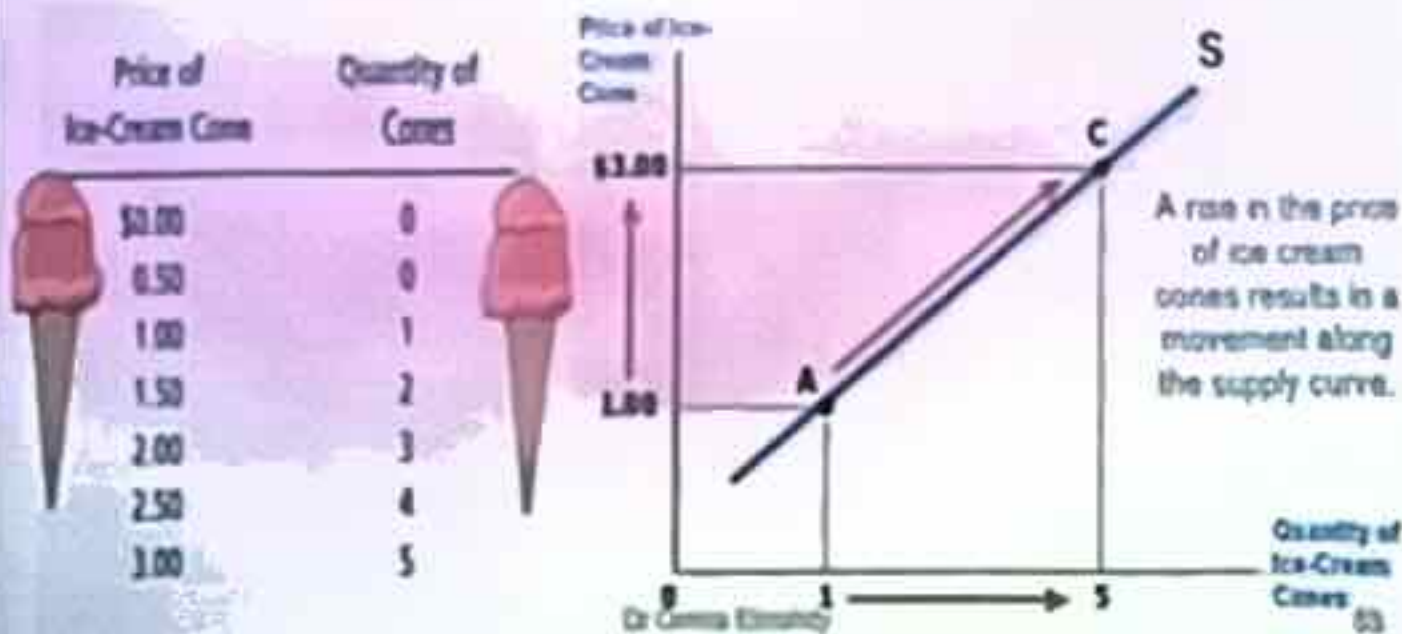
Decrease in the price of cigarettes is associated with greater use of marijuana

SUPPLY

- Quantity supplied** is the amount of a good that sellers are willing and able to sell.

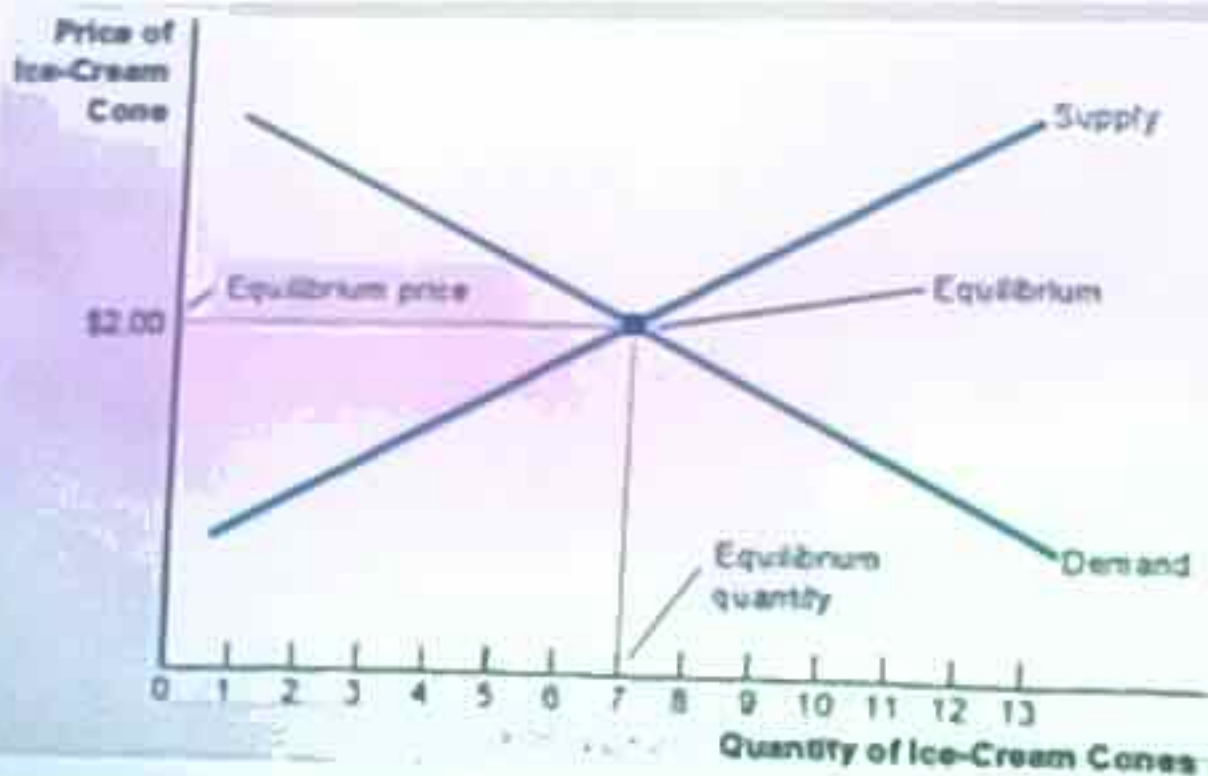
Law of Supply

- The **law of supply** states that, the quantity supplied of a good rises when the price of the good rises.



Equilibrium

Equilibrium refers to a situation in which the price has reached the level where quantity supplied equals quantity demanded.



Health Outcome

•the result of a health care intervention:

Complete recovery, incomplete recovery (chronic) or disability, or death.

■ GBD is a comprehensive regional and global assessment of mortality and disability from diseases, injuries and risk factors.

Cost of illness or burden of illness studies aim to assess the overall economic effects of illness and disease on individuals, the health service, the economy and society: reference for economic analyses and suitable evidence in determining whether more resources should be devoted to a given disease.