

# The Contribution of Health Economics and Health Policy Research to Improving Health care for the population

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# Summary

- Context
- Nature of health economics
- Potential contribution to policy formulation
- Impact of health economics
- Has this improved health care?

# Context

- Health economics, like all academic sub-disciplines, has produced work which has indirectly influenced health policy
- It has also produced much research directly aimed at informing policy decisions
- Health policy analysis has become more rigorous, often embracing the evaluation methods of economics
- Applied health economics has exploited improvements in related disciplines in the health field

# The Nature of Health Economics

- Theoretical and applied
- Quantitative and qualitative
- Descriptive and analytical
- Positive and normative
- Macro and micro

# The Macro-economics of Health Care

- Health as an investment to increase productivity and living standards
- Health services as a consumption good increasing individual well-being
- Health services as a means of improving social equity
- Should the size of the health care sector be controlled?

# The Micro-economics of Health Care

- Which types of health care should be provided?
- What is the most efficient service delivery model?
- Which drugs and procedures should be reimbursed and at what level?
- How should providers of services be reimbursed?
- How do different groups respond to incentives?

# Potential Health Economics Inputs to Health Policy Formulation

# Hierarchy of Decisions

- Overall size of health care sector
- Allocation between service programmes  
e.g. primary care, hospital care
- Geographical allocation of resources
- Allocation between specialties
- Selection of service delivery models
- Selection of individual technologies, i.e.  
drugs, devices, procedures

# (1) Descriptive Research

- Improved factual knowledge of the place of the health system in the macro-economy, e.g. regional economic impact; effect on industrial innovation in the health sector; labour market analysis
- Improved understanding of the health care sector: service costing; measurement of patient benefits

## (2) Analytical Research

- Modelling of future demand for health care
- Understanding of input-output relationships in service delivery
- Impact of incentives on the behaviour of patients and providers
- Analysis of market structure and organisational efficiency

## (3) Decision Support

- Programme budgeting and marginal analysis
- Cost-effectiveness analysis of health care programmes
- Health technology assessment

# Assessing the Impact of Health Economics

# Experience of Applying health Economics

- Focus on three main areas using examples from UK and other countries:
  1. **System Organisation** – public vs private provision
  2. **Macro** – the size of the health sector
  3. **Micro** – Health Technology Assessment (HTA)

# System Organisation (1)

- Early debates amongst health economists were about the relative efficiency of public and private provision
- Within the public provision was a debate on tax-funded vs social insurance systems
- Key issues were equity, efficiency and access
- Normative debate with little empirical evidence

## Service Organisation (2)

- More recent debate has recognised the common challenges facing all types of health system
- Health care reform has drawn on economic research to introduce more market mechanisms into publicly-funded systems, e.g. the purchaser/provider split in UK
- Privately-funded systems have introduced public sector management methods such as HTA

# Macro Decisions (1)

- Early health economists argued for increased public health care spending because of the failure of individuals to demand optimal levels of care in the market
- Tax-funded systems led to lower spending as a % of GDP, e.g. UK
- Lack of a convincing model to determine optimal size of health care sector

## Macro-Decisions (2)

- From late 1970s rapid growth of health care costs was perceived to be the problem
- Conflict between the desire to contain costs while maintaining access to advances in care
- UK again out of step – Wanless report in 2002 led to deliberate increase in health care expenditure as a % of GDP

# Micro-Decisions (1)

- From the late 1960s techniques of economic evaluation have been applied to health care
- Early studies were CBA of immunisation and other public health programmes using financial measures of cost and benefit
- In the 1970s cost-effectiveness analysis with non-monetary measures of benefit became the standard approach

## Micro-Decisions (2)

- By the 1990s HTA using CEA was first used in a formal decision-making context – PBAC in Australia
- The example has been followed in several other countries including the UK (NICE was created in 1999)
- The CEA framework is used by many private health care providers in the US and may eventually be adopted by CMS for Medicare and Medicaid

# Has This Led to Improvement in Health Care?

# Indicators of Improvement

- Level of expenditure
- Access and waiting times
- Patient outcomes
- Cost-effectiveness

# Contributory Factors

- Health economics has provided research insights which have been used by policy-makers: e.g. problems of silo budgeting
- Techniques of economic evaluation have been used directly in making resource allocation decisions
- Many other influences have been brought to bear on decision-making

# Perspectives

- Health economics has provided a framework for decision-making which encourages transparency and the systematic use of evidence
- This increases the chance of health gain being maximised from inevitably constrained resources
- This may lead to restricted access to care for some patient groups
- From the perspective of the **population**, who both **use** and **finance** health care this should be an improvement