



#3 HEALTH SUPPLY AND DEMAND: MARKET AND PARTICULARITIES

Michèle KANHONOU
September 23rd, 2022

LECTURE OVERVIEW

03. Health demand and health care demand

- Health, a specific product
- Health needs
- From health needs to Health care demands

15. Health supply: uncertainty and risk

- Definition
- Market uncertainty and risk

19. Health supply: concurrency, monopole and regulation

- Concurrency
- Induced demand
- Private health insurance
- Monopole and regulation

HEALTH DEMAND AND HEALTH CARE DEMAND

Health care, a specific product



Choice



Funding

€ you own

Quality
evaluation

True for any other product



Healthcare (receiving care)

Generalist/specialist practitioner

Collective funding (health insurance)

Expenditure efficiency? Equity?
On a medical level?

Health care, a specific product



Choice Generalist/specialist practitioner, their medical act

Funding Collective funding (health insurance)

Quality Efficiency (medical acts ++, waiting lists)? Equity?

Health needs: 2 categories

- Primary needs: needs **essential to life** on a biological level and for physical well-being
- Secondary needs: needs varying according to individuals or social groups (**mental and social well-being**)

Health needs

Health need (primary or secondary)

= difference between

Desired state of health

Existing state of health

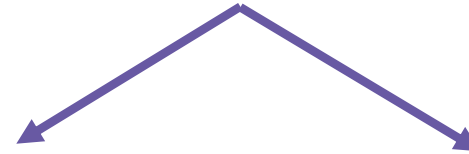
« measured » by a doctor

At an individual level, that different results from the **unpredictable degradation of health** due to:

- Epidemiologic risk: the probability you'd get sick (virus, cancer, ...)
- Normal aging process

Health needs

Evaluate health needs = define and quantify health states



Desired state of health

- Absolute: experts disconnected from the goal
- Relative: territorial comparisons

≠ patient individuality

Existing state of health

- Morbidity (insufficient data, not systematically recorded)
- Mortality (partial truth reason?)

Health demands

= health needs expressed to health professionals

Impacts on health demand?

↑ Age (well documented: >80yo, medical consumption x3)

Income, Education level, Health insurance, *CSP*

Desired vs existing state of health

↓ Insufficient reimbursement rates or incomes,
lack of information, appointment waiting lists

> **Unexpressed health needs**

From health needs to health care demands

Health care demand:

- Economic theoretical concept, meaning (only?!) in health economy
- Developed from 1960 to 2000

Beacon dates and researchers/health economists:

- US - Kenneth Arrow (1963)
 - Michael Grossman (1972)
- France - Lise Rochaix (1997)

From health needs to health care demands

Health care demand:

- US - Kenneth Arrow (1963)

Uncertainty and the Welfare Economics of Medical Care,
American Economic Review

(... in France at the same time...)

« Illness is, thus, not only risky but a costly risk in itself, apart from the cost of medical care »

- Illness = risk for the (biological) individual, but also **a costly one**
- Cost of medical care
- **Cost of illness?!**

From health needs to health care demands

Health care demand:

- US - Michael Grossman (1972)

On the concept of health capital and the demand for health
Journal of Political Economy

- 1st to model the « health demand » concept
- Relation between **health demand** and healthcare demand,
the 2nd derived from the 1st
Demande de santé vs demande de soin

From health needs to health care demands

Health care demand:

- France - Lise Rochaix, Ph.D. (1997)
 - Asymétries d'information et incertitude en santé : les apports de la théorie des contrats
 - L'hypothèse de demande induite : un bilan économique
- Économie & prévision

La santé « n'a qu'une valeur d'usage à la différence des soins de santé qui ont une valeur d'échange »

- Individual vs economical aspect and the whole chain involved

LECTURE OVERVIEW

03. Health demand and health care demand

- Health, a specific product
- Health needs
- From health needs to Health care demands

15. Health supply: uncertainty and risk

- Definition
- Market uncertainty and risk

19. Health supply: concurrency, monopole and regulation

- Concurrency
- Induced demand
- Private health insurance
- Monopole and regulation

HEALTH SUPPLY UNCERTAINTY AND RISK

Definition: health supply

- ... to meet health demands, or expressed health needs
- = Medical goods and services (protheses, drugs and medication, consults, exams)
- Ideal situation in the health system:
Health supply = Health demand

Except...

Market uncertainty and risk

- Practitioners' professional practice
= **Black box**.
Which form the supply actually takes?
- Practitioners' **autonomy**, source of the
market uncertainties and risks?
(vs HAS, ARS, Union nationale des caisses
d'assurance maladie)
- ... **induced demand**
(vs justification for medical acts)

LECTURE OVERVIEW

03. Health demand and health care demand

- Health, a specific product
- Health needs
- From health needs to Health care demands

15. Health supply: uncertainty and risk

- Definition
- Market uncertainty and risk

19. Health supply: concurrency, monopole and regulation

- Concurrency
- Induced demand
- Private health insurance
- Monopole and regulation

HEALTH SUPPLY: CONCURRENCY, MONOPOLES AND REGULATION

Concurrency

- In France, brutal increase in practitioners numbers (81 000 in 1970 vs 179 000 in 1990)
- Not meeting any public health need
- Crisis existing since 2nd half of the 70s (214 224 in 2021)

Concurrency: induced demand

- Introduced in 1973 by R. G. Evans, American health economist
- Theory:
Practitioners **provide more** than demands expressed by the patient and are able to **influence** them, advising:
 - More technical acts
 - More consults
- (...) Quality

Concurrency: induced demand

- Behaviour particularly observable for **practitioners paid per medical act** (médecins libéraux en France)
- Insure their « goal income », in a context of **high concurrency**

Private health insurance

- Actor in the health supply
- Dysfunction:
 - Insured patient behaviour: individual in **poor health** tend to contract an insurance **more frequently**
 - allowed
 - but unbalances the market
 - Actuarially-fixed premium (prime d'assurance)
 - On morbidity general statistics / patient health history
 - Selecting covered risks

Monopole and regulation

- 2 biases
- Reminder: **health system goal** =
Redistribution of wealth in favor of low incomes (who also are the sickest)
- State intervention
- Regulation in private health insurances
- Public monopole



Q & A ?

Health supply and demand: market and particularities.



COMING UP NEXT

#3 part 2

Online lecture

September 28th, 2022