

# PERSPECTIVES OF HEALTH CARE ECONOMICS

**Dr. Sireen Alkhaldi, DrPH**

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**Department of Family and Community Medicine**

**School of Medicine/ The University of Jordan**

**Adapted from Dr. Rimal Mousa presentation**

## Learning outcomes

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By the end of this lecture you will be able to:

- Understand different perspectives in Health care Economics (HCE).
- Understand how perspectives might influence the costs considered in Health care economic evaluation.

# Perspective

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- Point of view from which the study is taken (physician, patient, third party payer)
- Determines what will be measured, what are the costs and benefits, and how they will be valued.
- Guides and limits application of study results

What are the possible perspectives in HE evaluations?

5/2/2014

# Perspectives in Health Care Economics studies

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Perspectives are the point of view from which an economic analysis is performed. It is the viewpoint we choose to take.

Why perspective are important in Healthcare Economics?  
Because a health intervention that looks unattractive from one perspectives might look more attractive from different point view.

# Why perspective are important in Health Care Economics ?

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- The perspective of HCE describes and determines the categories of costs to be identified, measured, and valued.
- E.g. New outpatient procedure
  - From governmental (Societal) perspective: costs related to direct medical costs and indirect costs only.
  - From patient perspective: cost related to direct non-medical and intangible casts.

# Perspectives in Health Care Economic studies

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An economic evaluation can be conducted from a single perspective, or multiple perspectives .

## Types of perspectives :

- Societal perspective
- Payer perspective (e.g. Ministry of health, health insurance company)
- Provider perspective (e.g. physician, hospital)
- Patient perspective

# PERSPECTIVES IN HEALTH CARE ECONOMICS STUDIES

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Societal perspective: the broadest of all viewpoints

- Considers all the benefits/costs to the society as a whole
- All direct, indirect and intangible costs are included, irrespective of whose responsibility it is to pay for the costs.
- Societal perspective is the ideal perspective to adopt.
- However, due to the impracticality in measuring intangible and indirect costs, majority of the economic studies adopt the payer perspective.

# PERSPECTIVES IN HEALTH CARE ECONOMICS STUDIES

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Payer perspective: charges for health care products and services allowed, or reimbursed, by the payer.

- Payer may be insurance companies, or employers.
- In the Ministry of Health (MOH) perspective
  - e.g. Cost of hospital care, medication, pharmacist and doctor time, nurse visit.

# PERSPECTIVES IN HEALTH CARE ECONOMICS STUDIES

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**Provider perspective:** True (actual) expense of providing a product or service, regardless of how much they charge for that product or service.

E.g. hospitals, or private practice physicians.

Note: Payer and provider could be same.

# PERSPECTIVES IN HEALTH CARE ECONOMIC STUDIES

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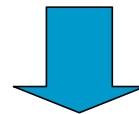
**Patient perspective:** what patients (i.e. the ultimate consumers of health care services) pay for a product or service.

- The portion not covered by insurance (co-payment or deductibles)
- Out of patient pocket expenses (transportation)
- Indirect costs (e.g. lose of wages or reduced productivity).
- Intangible costs (e.g. pain and suffering)

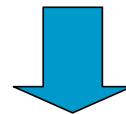
# **Health Care Financing**

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**Health financing involves :**  
**collecting revenue**



**pooling resources**



**purchasing goods and services**

# Health Care Financing

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- **collecting revenue:** the way health systems raise money from households, businesses, and external sources.
- **RISK POOL:** A defined patient population and geographic location to which revenue and expenses are determined.
- **Purchasing** refers to the many arrangements for buyers of health care services to pay health care providers and suppliers.

# The Financing Function

“Collection”



“Pooling”



“Purchasing”



## Deductibles and copayments

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**Deductibles:** the amount of money an individual pays for health service within a regular time before his insurance plan starts to pay. For example, an individual pay a yearly 500 JD to be covered by the insurance company for his health care service. If patient treated with 2000 JD within this year, the insurance company will cover the rest (except the copayment).

**Copayment:** A fixed amount or percentage (4 JD or a 20%, for example) an individual pays for a covered health care service after he paid his deductible. E.g. The cost of a doctor's office visit is 20 JD. Your copayment for a doctor visit is 4 JD (20%) paid at the time of doctor visits.

Another example, the cost of medications is 100 JD. The copayment is 20% of the total cost (20 JD).

## Check you understanding

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- Patient A (have an insurance in the MOH and he cover 20% of his insurance) has been transferred from MOH to JUH to get a medical treatment. The actual costs of the medical service provided by the JUH were 100 JD.
  
- What is the cost considered from the payer perspective? 80 JD
- What is the cost considered from the provider perspective? 100JD

## CHECK YOUR UNDERSTANDING

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Which of these costs will be considered from payer and provider perspective?

- Prescriber time
- Time in hospital
- Drug costs
- Time off work (For patients)
- Out of pocket transport expenses
- Time to dispense the medicines

Answer: All except time off work for patients and out of pocket expenses (these are patients' perspective)

## CHECK YOUR UNDERSTANDING

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The costs of Drug A, on average

- Drug costs =10,000 JDs over 10 years
- Prevent 5 doctor visits/ over 10 years = 500 JDs
- Prevent 1 hospitalisation/ over 10 years = 2000 JDs
- Saves 10 working days for patients/ over 10 years = 2000 JDs

What would be the cost from:

- Payer perspective (e.g. health insurance company)?
- Societal perspective ?

### Answers

- Payer perspective (e.g. health insurance company)? £7,500
- Societal perspective ? £5,000

## laparoscopic cholecystectomy versus open cholecystectomy

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Example: Comparing laparoscopic cholecystectomy versus open cholecystectomy

- Different methods to remove the gallbladder
- Laparoscopic cholecystectomy was a new technique
- Health outcomes for the two techniques were considered equivalent
- Hospital and societal perspectives reported??

Berggen et al. 1996

## What do you think?

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	Laparoscopic surgery	Open strategy	Difference
Total direct costs	20,515	18,511	2,004
Indirect costs	5,363	9,768	-4,405
Total costs	25,878	28,279	-2,401

Taken from Table 3 in Berggen et al. 1996

# laparoscopic cholecystectomy versus open cholecystectomy

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## Societal viewpoint

- Laparoscopic surgery was cheaper (including non-medical costs and intangible costs)

## Hospital viewpoint

- Excluding effects on service provision
- Laparoscopic surgery was more expensive (medical costs)

## Think how perspective might influence costs to include

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Type of cost	Perspective			
	Societal	Provider	Payer	Patient
Direct medical cost	✓	✓	✓	✓

The first is the societal perspective meaning all of society as a whole regardless who pays the costs.

The second column shows an provider perspective.

The third column shows the perspective of an employer

The fourth column represents the perspective of the client or patient.

think how perspective might influence costs to include

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- What about “non-medical costs” such as transportation or child care expenses incurred because of an illness or disability?

Which perspective will consider it and which would not?

Because a health insurance company or an employer would not pay for such costs, they would not be counted as costs in a study that took those perspectives.

Type of cost	Perspective			
	Societal	Provider	Payer	Patient
Direct medical cost	√	√	√	√
Direct non-medical	√	✗	✗	√

## Think how perspective might influence costs to include

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- What about indirect cost “ time lost from work”
- Think about health insurer perspective vs. employer perspective?
- Such costs would not be included in a study from the perspective of the insurer. An employee’s lost time from work would, however, be counted as a cost to the employer whose workforce is affected, to the patient who misses work, and again, to society in terms of the productivity of that employee that is lost.

Type of cost	Perspective			
	Societal	Provider	Payer	Patient
Direct medical cost	√	√	√	√
Direct non-medical	√	✗	✗	√
Indirect cost	√	?	?	√

## Think how perspective might influence costs to include

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- What about intangible costs?
- they represent a cost to the patient and a cost to society, often in terms of quality of life.

Type of cost	Perspective			
	Societal	Provider	Payer	Patient
Intangible costs (pain and suffering)	√	?	?	√

## Key points on HCE perspectives

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- The important point to understand, the perspective taken in an economic analysis can have an important influence in how an intervention is assessed and the results obtained and interpreted.
- So it influences the study results and thus it is important for any study to clearly state and justify the perspective used in estimating cost.

## Cost might be shifted rather than saved

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- An insurer may be looking to reduce its expenditures for direct medical costs and in the process may simply shift costs from itself to someone else.

For example, outpatient surgery may reduce the medical expenses for a procedure by reducing in-hospital care. However, the costs of patient care do not disappear—they are simply shifted from the insurer to the patient, for example when a patient's family member must take time off from work or leisure activities to provide home care.

## Key points on HCE perspectives

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Societal perspective is the recommended option for public health economic analyses.