

HEALTH CARE AND MARKETS !!!

WHY ALL OF HEALTH CARE AND NOT ONLY PUBLIC HEALTH IS UNLIKE OTHER COMMODITIES.....

WHAT DOES IT MEAN TO SAY HEALTH IS NOT A COMMODITY, IT IS A RIGHT?

Public Health is a Public Good.

'Public Good' A product that one individual can consume without reducing its availability to another individual and from which no one is excluded. Economists refer to **public goods** as "non-rivalrous" and "non-excludable".

eg... Non- excludable : If we do mosquito control successfully in a town, then even those who did not pay for it- cannot be excluded by benefitting from it.

Eg.....Non- Rivalrous : If a 1 000 persons were benefitting from the vector control we did in this town, and then 500 more persons come in, they will also benefit. The consumption of the goods by some does not reduce what is available for others.

Examples of Public Goods: To discuss:

- 1. Defense,
- 2. Vector Control Measures;
- 3. Solid waste management;
- 4. Sewage systems;
- 5. food safety standards

But in this definition services like vaccination and institutional delivery or treatment for TB. does not fit in.

Public Health has externalities...

- Externalities are *indirect* effects of consumption or production activity, that is, effects (benefits or harms that were not paid for)
- When we pay for Case detection and management for tuberculosis or leprosy in some persons, we are also benefitting from the fact that many others did not get TB....

The WB's approach to public goods:

- World Bank's philosophy was that government must provide only those services which fits the definition of public goods or goods that have externalities- like immunization, TB, HIV control etc.
- However if government so decides it can pay for some services which are highly valued- “merit goods”- but as minimal as possible and based on cost-effectiveness of money spent . Like maternity services

But the PHM would contend that all of health care, including curative care is a public good...

- Public investment in curative care or all of primary health care can be justified as a merit good- since it would improve productivity, generate markets, contribute to development. Many health services which are not public goods, nor externalities are merit goods.
- Further markets do not work even for curative medical care- though it is excludable, and even where it has no obvious externalities.
- The organization of health care services cannot therefore be market driven- and is therefore a public good..

Special Features of Medical care: Uncertainty

1. Uncertainty in Demand:
2. Uncertainty in outcome.
3. Information Asymmetry
4. Lack of alignment (through markets) of provider and patient interests-
5. Professional privilege and power

Nature of the relationship

- Therefore big element of **TRUST** in the relationship
- Provider has to decide on behalf of the patient-and decisions are often not consistent with monetary self-interest. Decision must be de-linked from income.
- Product and Process – are identical/overlapping: patient is a co-producer-
- Quality of service must not relate to ability to pay.
- The Public provider has to be concerned about health equity, access to care, financial protection, quality of care and safety in care delivery.. In ways that does not apply to other commodities.

Kenneth Arrow' Dec. 1963 The American Economic Review: Uncertainty and the Welfare Economics of Medical Care: Vol LIII, No.5: Reproduced in Bulletin of WHO, Feb. 2004

- “The Failure of the market to insure against many uncertainties, has created many social institutions in which the usual assumptions of the market are to some extent contradicted..”.. “ requires non market relations that create guarantees of behavior which would otherwise would be afflicted with excessive uncertainty.” “ that when the market fails....non-market social institutions will rise trying to bridge it.”

What sort of non-market institutions

- Typically public providers, operating on a tax based budget.. With mechanisms of accountability, responsive financing, decentralization etc.
- It could be forms of purchasing care profit is restricted and the entire logic of the market is kept out (usually associated with single payer systems). Production is not for exchange, not as a commodity...
- However health sector reforms in neo-liberal times aim to introduce institutions that can purchase on behalf of patients but within a market based system, and preferably from the corporate sector- market driven insurance systems or large health management organizations..

The challenge is to demonstrate

- that all these different market based purchasing mechanisms have not worked.
- That health systems works best where health and health care are recognised and produced as a public good.
- That both public financing and public provisioning are central to the achievement of universal health care and health rights.

Reference

- Kenneth Arrow' Dec. 1963 The American Economic Review: Uncertainty and the Welfare Economics of Medical Care: Vol LIII, No.5: Reproduced in Bulletin of WHO, Feb. 2004

Thank you

