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Diploma in Pharmacy 1<sup>st</sup> Year  
Social Pharmacy  
Important Questions  
Chapter 7 : Pharemacoeconomics

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# Chapter 7

## Pharmacoeconomics

### IMPORTANT Questions

#### Q1. Explain the term pharmacoeconomics.

Ans.

#### PHARMACOECONOMICS

- Pharmacoeconomics is the branch of economics that uses cost-benefit, cost-effectiveness, cost minimisation, cost-of- illness and cost-utility analyses for comparing pharmaceutical products and treatment strategies.
- Pharmacoeconomics is a part of health economics focusing on economic estimation of drugs. Health research results and Patient-Reported Outcomes (PRO) target understanding the patient value in relation to the influence of disease and its treatment on physical working and psychosocial health, known as Health-Related Quality of Life (HRQL).

#### Objectives.

1. To offer an outline of the issues and theory that lie at the heart of pharmacoeconomics.
2. To show its application to make decisions about drug therapy.
3. To show its application in decreasing financial burden on the consumers (by insuring global pricing policy) for effective managing of healthcare system as pharmacoeconomics aims to use the limited resources more effectively for expansion of healthcare benefit at lower cost.

#### Q2. Elaborate evaluation method of pharmacoeconomics.

Ans.

#### Evaluation Methods of Pharmacoeconomics

- ◆ The management of limited healthcare resources and medical practice is offered by health care economic evaluation.
- ◆ Health care economics help the decision makers to make choices, which are compared with the expected consequences resulting from the adoption of one strategy over another.

#### The evaluation methods of pharmacoeconomics are

1. Cost Minimisation Analysis (CMA);
2. Cost Benefit Analysis (CBA);
3. Cost Utility Analysis (CUA) and;
4. Cost Effectiveness Analysis (CEA).

### Q3. Write the detail note on Health insurance.

Ans.

#### HEALTH INSURANCE

- Health or medical insurance offers monetary protection for hospitalisation and medication at the time of accidents and some illnesses of required amount for a specific limit.
- Health insurance policy is a lawful agreement between a person or group of persons and a company or any government programme, which shows the way medical bills of the individual or group are paid.
- Health insurance policy is a legal document that contains specific type of data about the policy.
- It affects the individual or group who buys the policy, the company or government that provides or sells the policies, and physicians and others providers who get the insurance expenses.
- These insurance are given against the loss of sickness or body injury.
- It provides coverage for medicines, appointment with the doctor, hospitalisation, and other medical costs.

#### Classification of Health Insurance

- Health insurance policies are classified as follows:
- Health Expense Insurance
- Disability Income Insurance

#### Advantages of Health Insurance

1. **Prevention:** The primary benefit of having health insurance is disease prevention through frequent check-ups and lifestyle changes, based on the doctor's recommendations. It contributes to residents' health and saves money by lowering the healthcare costs.
2. **Less Financial Burden:** After having health insurance, people will have peace of mind. If an insured person notices a health problem, he/she can contact a doctor and receive treatment without suffering any financial strain.
3. **Less Lost Time:** An insured person can take time off from work to see a doctor if they are unwell. They can return to work in one or two days if the illness is not serious. It benefits both, the employee and the company, because the process takes less time.

#### Disadvantages of Health Insurance

- Premiums and Coverage
- Complicated Rules
- Lack of Choice

## Q4. Describe the note on health maintenance organisation (HMOs).

Ans.

### HEALTH MAINTENANCE ORGANISATIONS (HMOS)

- ◆ HMOs are a type of managed care health insurance plan, including a network of healthcare providers who treat a patient population for a prepaid fee.
- ◆ HMOs integrate financing and care delivery as prepaid health plans.
- ◆ providing an incentive to provide cost-effective, high quality treatment.
- ◆ The goal to harmonise financial and care-quality incentives drove the development of HMOs. Such alliance. of incentives contrasts with alternative health care payment structures (fee-for-service designs), where healthcare providers may have a financial incentive to do so inefficiently.
- ◆ Structure of HMOS
- ◆ An HMO is anticipated to provide comprehensive healthcare services. The Health Maintenance Organisation Act. 1973 specifies the following minimum benefit services that an HMO must provide:
  - 1) Physician services (consultant and referral services provided by a physician).
  - 2) Hospital services for in-patients,
  - 3) Emergency health services. that are medically necessary.
  - 4) Medical treatment and referral services for alcohol and drug abuse and addiction
  - 5) Diagnostic and therapeutic radiological services, as well as diagnostic laboratories.
  - 6) Health-care services at home.
  - 7) Preventive health services.

### Functions

- 1) To collect contributions from employers and employees around the country.
- 2) To register employer and employees.
- 3) To register service providers after ensuring that they meet the minimum NHIS requirements.
- 4) To promote and educate about health.
- 5) To establish efficient quality assurance procedures.

### Advantages

- HMOe have huge networks of doctors including specialists, in almost every section of the country.
- The number of primary care visits has no limits.
- In most cases, patients are not required to file insurance claims.
- If a claim is refused, HMOs provide an appeal process.

### Disadvantages

- 1) Patients will only be covered by their insurance if they visit an in-network doctor and facility.
- 2) Patients will need to switch doctorn if their primary care provider leaves the network.
- 3) Unless it is an emergency, patients must acquire a referral from their primary care physician, before seeing a specialist.

## Q5. Explain the health spending & out of pocket expenses.

Ans.

### HEALTH SPENDING

- Health spending includes both medical and non-medical expenses.
- All expenditures or outlays for medical care, prevention, promotion, rehabilitation, community health activities, health administration and regulation, and capital development with the primary goal of improving health are included in health expenditure)
- Expenses on health-related functions (such as medical education and training, as well as research and development) are included in health-related expenditures."

### Classification

Health spending is categorised as follows :

- Hospital care
- Physician services
- Clinical services
- Prescription drugs
- Nursing care facilities

### OUT-OF-POCKET EXPENSES

- ★ Employee's out-of-pocket expenses are those costs that must be paid in cash.
- ★ Employees are usually reimbursed for these expenses via an expense reporting and check payment mechanism.

### Examples of Out-of-Pocket Costs

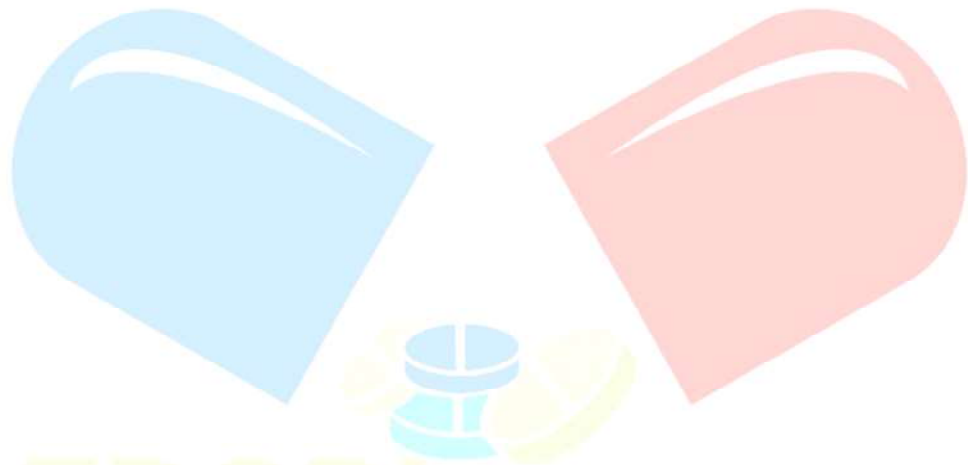
- 1) Purchasing gasoline, parking, and tolls while on corporate business.
- 2) The expense of a client's business lunch.
- 3) The price of an employee's incentive card.

### Advantages

- ◆ Out-of-pocket expenses can be claimed as tax deductions for charity contributions, unreimbursed medical bills, and so on. It may be able to assist in the reduction of tax burdens.
- ◆ Out-of-pocket expenditures, such as cigarette taxes, are used to alter the nature of consumers' smoking behaviour, which has detrimental health consequences.

### Disadvantages

1. The requisite cash must be brought up-front; and there may be a cash shortage at times, resulting in the transaction failing.
2. Even while the medical insurance company pledges to pay all health-related costs, there is a catch where the 100% cost will never being covered once the idea of out-of-pocket spending goes into effect.
3. Out-of-pocket expenditures are unpredictable, and at times, might disrupt the individual's planning and budget.



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