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Diploma in Pharmacy 1st Year
Social Pharmacy
Chapter 7 : PHARMACOECONOMICS

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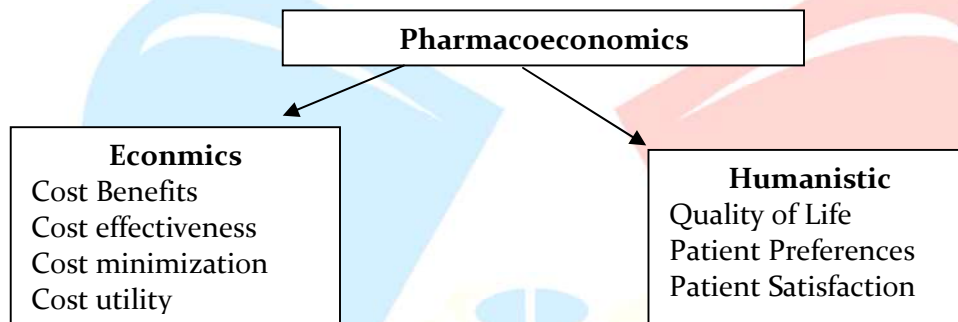
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SOCIAL PHARMACY

Chapter 7

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

- To offer an outline of the issues and theory that lie at the heart of pharmacoeconomics.
- To show its application to make decisions about drug therapy.
- 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.

Related Terminologies

- **Pharmacoeconomics** : It is the branch of health economics that deals with the evaluation of the costs and consequences of therapeutic decision making.
- **Cost of Drug** : It is the total resources spent in making the drug or drug preparation. It is the expense paid to the suppliers.
- **Quality Adjusted Life Years (QALY)** : It is a summary of quality and quantity of life.
- **Utility Unit** : It evaluates the changes in a patient's satisfaction, or sense of safety as an effort to calculate the approved result from moving from one state of health to another as concerns of the use of drug therapy.
- **Quality of Life** : It involves physical and psycho social dimensions of life. Physical dimensions include presence or absence of ache and immobility; while psychosocial dimensions include level of anxiety, depression and reduced ability of the patient to deal with issues.

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

- Cost Minimisation Analysis (CMA);
- Cost Benefit Analysis (CBA);
- Cost Utility Analysis (CUA) and;
- Cost Effectiveness Analysis (CEA).

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.

Salient Features of Health Insurance

- ✚ **Premium** : It is the amount the policyholder or his/her sponsor (employer) plans to pay monthly for purchasing the medi-claim and health insurance.
- ✚ **Broad Coverage** : The basic medical insurance provides security for all the vital medical expenses and other expenses of the illness or injury.
- ✚ **Deductible** : A deductible is the amount of money that you are responsible for paying toward an insured loss. When a disaster strikes your home or you have a car accident, the deductible is subtracted, or "deducted," from what your insurance pays toward a claim.
- ✚ **Co-Payment** : It is the payment made by the insured person for certain visits or services. It is required to be paid each time when certain services are used. For example, co-payment is when a person may pay 500 for a doctor visit.
- ✚ **Co-Insurance** : Coinsurance is the amount an insured must pay against a health insurance claim after their deductible is satisfied. Coinsurance also applies to the level of property insurance that an owner must buy on a structure for the coverage of claims.

- ✚ **Coverage Limits** : An insurance coverage limit determines the maximum amount of money an insurance company will pay for a covered claim.
- ✚ **Capitation** : Capitation is a fixed amount of money per patient per unit of time paid in advance to the physician for the delivery of health care services.

Classification of Health Insurance

Health insurance policies are classified as follows :

1. Health Expense Insurance
2. Disability Income Insurance

Health Expense Insurance

- ❖ **Hospital Insurance** : Health insurance is essential and offers various elements of medical cover for humans It covers the illness, injuries and treatment expenses for a person. It does not covers the hospital expenses. thus a person needs hospital insurance
- ❖ **Surgical Expense Insurance** : It offers protection on the surgeon's fee of an operation. The policy states the maximum fee to be insured on a list of operations, In the policy, more premium is charged on the higher fee. Normally, people get both, the hospital and surgical insurance.
- ❖ **Physician Expense Insurance** : It covers the expenses of care given by the physician, except any surgery or operation.
- ❖ **Dental Insurance** : It covers the dental charges related to dental care, and offers wide coverage, like free preventative services such as cleanings. It is available in individual, family or group dental insurance plans.

Disability Income Insurance

- Disability income insurance refers to a situation in which the amount earned is not due to illness or an accident.
- It is similar to life insurance, but people do not buy it as often because the benefits from workers" compensation, social security, and successful negligence lawsuits can provide disability income.
- When other sources of funds are limited or non existent, these can be purchased.
- According to the period covered, disability income insurance can be either short-term or long-term.

Health Insurance Products

- The insurance providers in India offer several types of health covers for various types of market. Based on the market's needs, the following health insurance policies are designed:
- Individual versus Family Health Insurance
 - Travel Health Insurance

- Group Health Insurance
- Critical Illness Insurance
- Overseas Medi-claim
- Low-cost Medi-claim
- Senior Citizen Medi-claim

Claim Process

- When an insured person is hospitalised or faces a medical emergency, health insurance plan comes into Health insurance claim occurs the hospitalisation or medical expenses are covered health insurance In case of medical emergency, filed, company pays the medical bills.

Advantages of Health Insurance

- ✓ **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.
- ✓ **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.
- ✓ **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** : The downside of health insurance is its high cost. The insured is liable for paying the monthly premium, which adds to the burden. Also, there is a possibility that an increase in payment can result in extra coverage. Various health insurance firms are recently dropping the sum of coverage as well as the services they provide,
- ✚ **Complicated Rules** : Another downside is the complexity of insurance rules. There are number of policies that require referrals, rather than going straight to the specialist. Certain drugs are not covered by the insurance, and it may not pay for certain elective procedures that are not elective according to the patient or the doctor.
- ✚ **Lack of Choice** : A drawback of health insurance is the lack of choice. In certain policies, patients do not have the option of choosing their doctors or hospitals, while in others, they do.

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:
 - Physician services (consultant and referral services provided by a physician).
 - Hospital services for in-patients,
 - Emergency health services. that are medically necessary.
 - Medical treatment and referral services for alcohol and drug abuse and addiction
 - Diagnostic and therapeutic radiological services, as well as diagnostic laboratories.
 - Health-care services at home.
 - Preventive health services.

Functions

- ❖ To collect contributions from employers and employees around the country.
- ❖ To register employer and employees.
- ❖ To register service providers after ensuring that they meet the minimum NHIS requirements.
- ❖ To promote and educate about health.
- ❖ To establish efficient quality assurance procedures.
- ❖ To ensure that contributions receive high-quality and cost-effective healthcare through healthcare providers.
- ❖ To ensure that donations are kept in the certified banks of the scheme.
- ❖ To make certain that claims are processed efficiently.
- ❖ To collect the requisite contributions and make timely payments to the appropriate pools.
- ❖ To market in accordance with NHIS regulations.

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.
- ✓ Drug prices are kept tow (needing only a small co-payment), and generic as well as brand-name medications are offered.
- ✓ In most cases, patients are not required to file insurance claims.
- ✓ If a claim is refused, HMOs provide an appeal process.

Disadvantages

- ✚ Patients will only be covered by their insurance if they visit an in-network doctor and facility.
- ✚ Patients will need to switch doctorn if their primary care provider leaves the network.

- ✚ Unless it is an emergency, patients must acquire a referral from their primary care physician, before seeing a specialist.

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
- Home health care
- Other personal health care costs

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

- Purchasing gasoline, parking, and tolls while on corporate business.
- The expense of a client's business lunch.
- 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.
- ✓ It creates a sharing component between two parties by requiring both the parties to contribute to a cost.

Disadvantages

- ✚ The requisite cash must be brought up-front; and there may be a cash shortage at times, resulting in the transaction failing.
- ✚ 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.
- ✚ Out-of-pocket expenditures are unpredictable, and at times, might disrupt the individual's planning and budget.



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