

Competition on health care markets –
differences from classical markets

Organization of health services

Competition on health care markets
- according to levels of provided health services

SYLLABUS of 3rd LECTURE

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Specificity of supply in health care market

Supply of health care is influenced by:

- total amount of health care facilities in particular locality
- concrete structure of these facilities

- health insurance companies` attitude for making contracts with physicians and hospitals in particular locality

Limited amount of health care facilities

Pharmacies - supply is adequate

Hospitals - supply is adequate

- selection procedures
- monopoly

Another specifics of supply in health care market

- **physicians` / pharmacists` scientific knowledge and professional skills**
- **„excessive services“**
- **excessive supply --- secondary demand for health care**
- **demand induced by a supply**

Gatekeeping

- supply of health care service by the physicians in a hospital should be realized only **after recommendation the patient by a physician of primary care**

Formal absence of profit / gain motivation

- public sector organizations:
 - **benefit (= improving health care statut)**

All health care facilities must receive payment (money) from some „establishment“ for provided health care services

Received payment according to ownership of health care facilities

- statut of public hospitals
- **obtain money from health insurance companies**

- hospitals owned by private holders
- **obtain money from health insurance companies**

- hospitals owned by private holders („real“ private hospitals)
- **only direct payment from patients**

Absence of „above-standard“ definition

- above-standard health care
- definition of above-standard in non-health care areas

Health care divided into 2 parts:

1. standard health care
2. above-standard health care

- **pharmacy system and selling drugs by pharmacists**

- reimbursement of expended drugs and health devices in a pharmacy from system of compulsory public health insurance

- **dental (stomatology) care**

- Rate Tariff of reimbursed and non-reimbursed dental servies

Specificity of product in health care market

**Classical
„competitive“
market**

- **Uniform (homogenous) production**

**Market with health
care**

- **Non-uniform (non-homogenous) production**

Specificity of demand in health care market

- imperfectly informed buyers (= patients)
- patient`s „moral hazard“: Delegation of consumer sovereignty to physician
- demand induced by a supply

Need for health care – 2 parts:

1. Subjective need

2. Objective need

→ health care policy of state

→ create: **DEMAND** for health care

- **regulation of demand for health care also initiated by physicians**

Specificity of payment in health care market

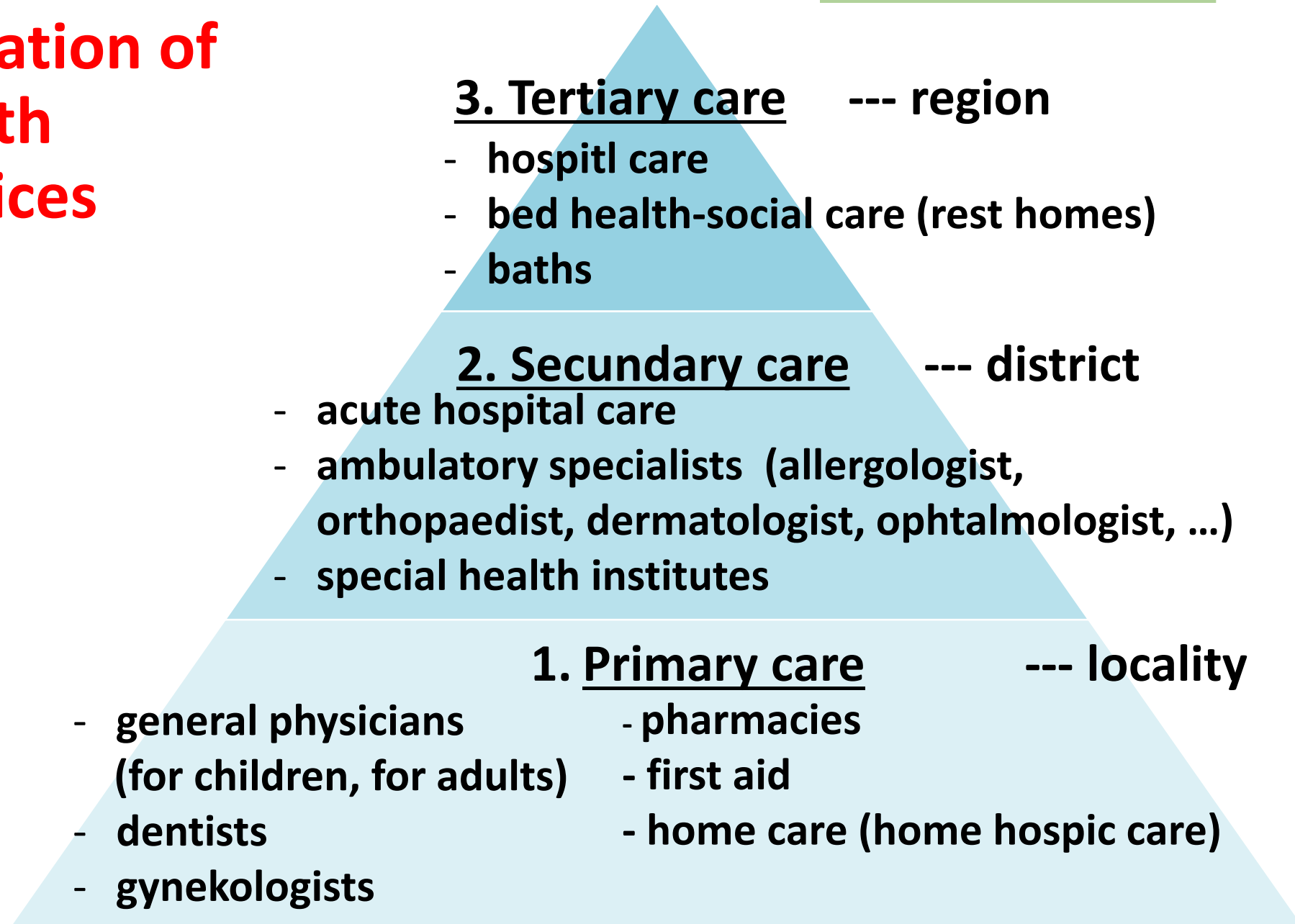
**Classical
„competitive“
market**

- Consumers pay **directly**

**Market with health
care**

- Consumers pay **only part of costs directly**

Organization of health services



Competition on health care markets

1. Primary care

General physicians (for children, for adults), dentists, gynecologists

- amount of providers is **not overlarge**
- tools of **non-price competition:**

Pharmacies

- amount of pharmacies is **not overlarge**
- **1. price competition** - tools:
- **2. non-price competition** – tools:

2. Secondary care

Ambulatory specialists (allergologist, orthopaedist, dermatologist, ophthalmologist, ...)

- amount of providers is **overlarge**
- competitive manners:
 1. tools of **non-price competition**:
 2. tools of **price competition**:

3. Tertiary care

Hospital care (hospitals)

- competitive manners:

1. tools of **non-price competition**:

2. tools of **price competition**: