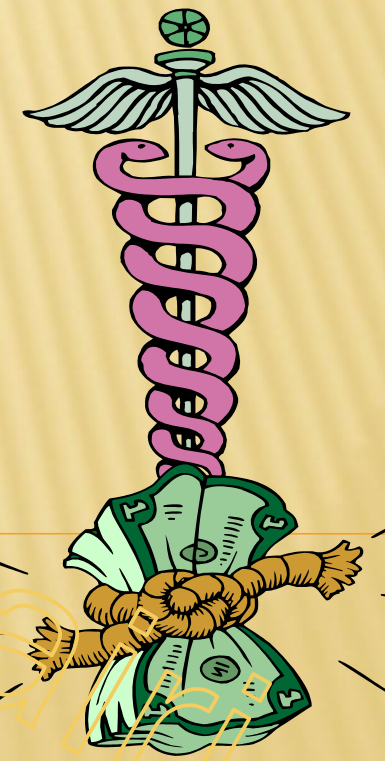


Prof



Post graduate course 2025

ECONOMIC COST



STUDY OBJECTIVES



- ✘ To introduce the concept of **cost**
- ✘ To know the strategies of **cost containment**
- ✘ To explain **cost evaluation**
- ✘ To differentiate between **efficiency & effectiveness**
- ✘ To understand **cost analysis** types & uses

COST



Sacrifice needed to obtain a commodity/service.

Accounting definition: monetary price of goods/services.

FIXED: born irrespective of how much output produced (don't change with quantity).

+ **Capital costs:** durable equipment live > year.

+ **Recurrent costs:** as health personnel wages.

VARIABLE: directly related to how much output produced, as: raw materials, $\frac{1}{2}$ produced goods, medical supplies.

Question: what is opportunity cost?

IS PRICE A GOOD COST INDICATOR?



- × Resources may not have a **monetary price** (non-material)
- × Alternative uses of goods determine price (drug abuse)
- × Prices may not reflect real value of resources (Dr fees)

Market price (equilibrium), administered price

- × Prices may be distorted by taxes or subsidies (price cutting).
- × Prices vary according to quantity you buy:

Unit/retail price ← wholesale price

← trading price ← factory price ← cost price

PRACTICAL COVID VACCINES 2021 PRICES \$(2 - 48)

STUDY THE FOLLOWING PRICE LIST & WRITE YOUR COMMENTS



Vaccine	USA	UK	EU	S Africa	Israel	China	India
Pfizer	19.5 price (1 st 100M dose)	21.1	14.9 discount		47.9		
Moderna	25-37 Subsidized US 15	39.5	18		23.5		
J & J	10						
AZ	4	3 At Cost	2.15	5.25			
Sputnik	10	10	10	10	10		
Sinovac						29.7	
Bharat							2

COST CONTAINMENT

- Controlling expenses to operate an organization or a program within pre-planned budgetary constraints.
- a managerial function keeping costs down to only necessary expenses.

e.g: Reducing hospital costs, providers cost awareness, third party payment



COST CONTAINMENT “4CS”



- × **Consolidation**: use large market basket. The more you buy, the less you pay/unit.
- × **Competition**: the less certain suppliers are about earning, the more aggressive their prices will be.
- × **Contracting**: multi-year plan contract with successful supplier.
- × **Collaboration**: supplier takes cost out in cases of wastage, inefficiencies, ...

ECONOMIC EVALUATION IMPORTANCE



Resources dedicated to health care have increased, but still limited & under increasingly pressure.

→ **Poor countries**: absolute limitation. Health care resources no longer available for nutrition & shelter.

→ **Richer countries**: more resources, but have higher new technology that can't be all acquired.

COST ANALYSIS

INTERVENTION → CONSEQUENCE



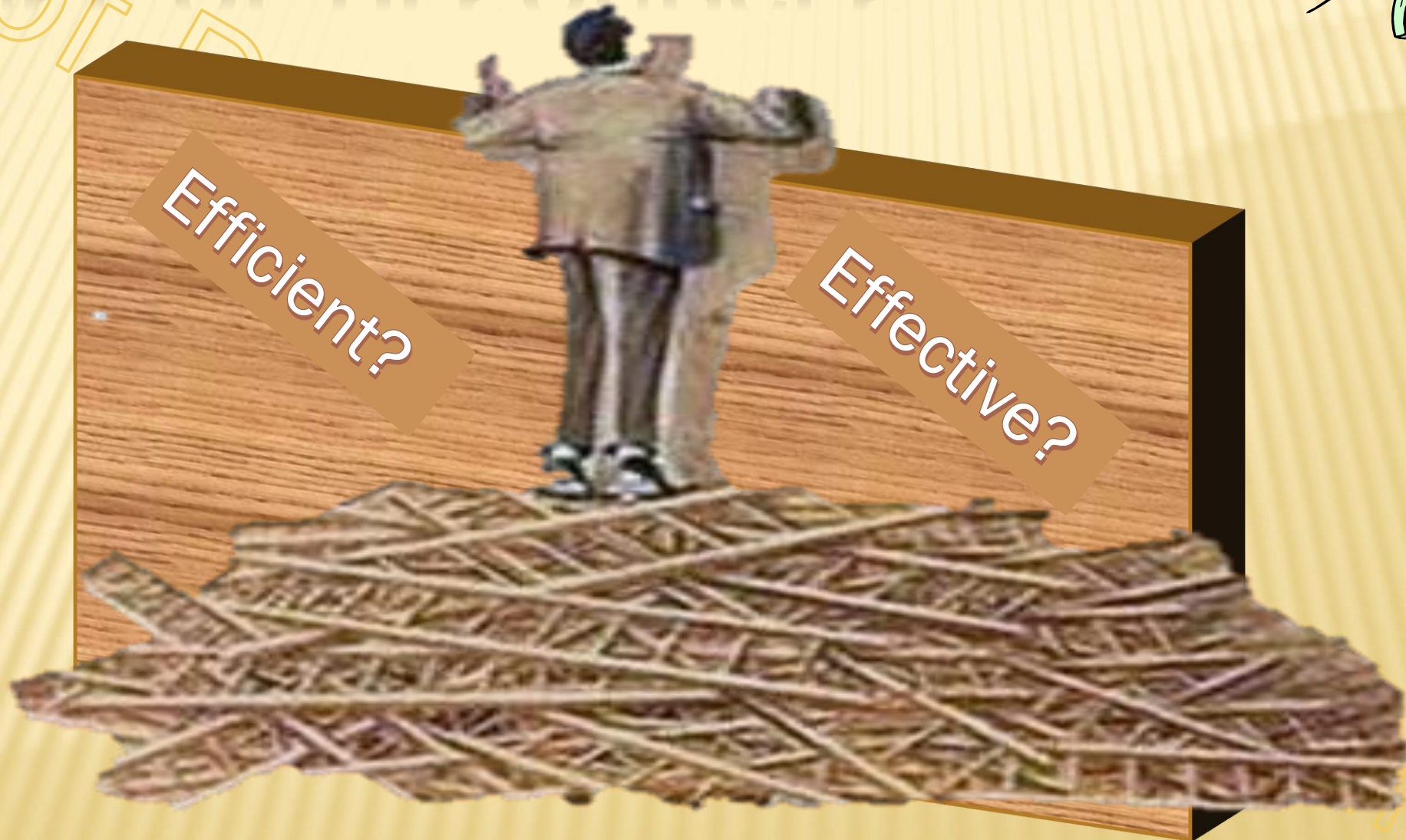
- ✘ Making economic considerations (maximize delivery of health services & minimize costs) by making best choice among alternatives.
- ✘ Economic evaluation methods evolved for choices about best way to use limited resources
- ✘ Complete economic evaluations to clarify, quantify and value all relevant options (inputs and consequences) to help decision making.

EFFICIENCY & EFFECTIVENESS



- × **Efficiency:** كفاءة end result (effect) achieved in relation to effort spent in terms of resources & time (WHO) → output / input
- × **Effectiveness:** فاعلية activity effect (outcome, benefits) achieved in relation to stated objectives → output / planned output
Is capacity of producing stated objectives. It is multi-dimensional.

USE OF RESOURCES



PROOF

iri

PHILOSOPHY OF ECONOMIC EVALUATION



Help us make best possible use of available resources in a rational decision-making context.

- ✘ Do we have to do this intervention?
- ✘ What is the best way of doing it?
- ✘ Is this the best way of using the input?
- ✘ Quantify, clarify, & value relevant options.

Pro

PRACTICAL:

WHY COMPENSATION DIFFER?

US Value of life	1990 in \$ million
Labor market	1.5 - 10.5
Fire fatality	2
Automobile accident	4

PRACTICAL



Rising costs of health care, why?

- ✘ Baby boom pop born 1950-60, now ↑ sixties.
- ✘ People are buying more services.
- ✘ Technology growth & high-cost treatment.
- ✘ ↑ deflated health care prices over time.
- ✘ ↑ consumer knowledge & ext demand behavior

*Today we spend more but have less,
We buy more but enjoy it less*



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