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[Chayan Munshi](#) \* and Ranita Chakravorty

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Essay

# Economic Management in Healthcare: A Critical Issue to Understand

Chayan Munshi <sup>1,\*</sup> and Ranita Chakravorty <sup>2</sup>

<sup>1</sup> Ethophilia (An Autonomous Research Group), Santiniketan, 731235, India

<sup>2</sup> Food Corporation of India, Durgapur, 713212, India

\* Correspondence: chayanbio@gmail.com

**Abstract:** The healthcare system is intricate and dynamic. For the purpose of organising and planning a system, where allocating funds appropriately is essential and therefore managerial skills play a critical role. A certain portion of each nation's GDP is allotted to the health sectors. Managers and decision-makers in the healthcare systems are using resources effectively, yet the quantity of funding they receive from the government or other stakeholders is insufficient sometimes. A sound understanding of both basic and advanced economics is necessary for the care management, to make cost-effective judgements in public health. Healthcare officials at all levels (regional, state, federal, or international), need to be knowledgeable about public health issues and the related modern economic climates. Business executives and healthcare managers need effective practical knowledge to handle partner-financial allocation (demand-supply chain) and handle economic volatility.

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## Introduction to healthcare finance system

Assessment of economic parameters in healthcare and allocation of the funds in proper way is a very critical challenge in health economics. Several financial parameters that are necessary to regulate the healthcare industry are evaluated through health economic perspective, in terms of expenditure. Health economics broadly deals with the understanding of the primary roles of individuals, healthcare providers, insurers, government agencies, stakeholders and associated organizations, which are crucial in the proper functioning of the system in respect to expenditure. A crucial area of study is health economics, especially for decision-makers who need to learn how to use resources effectively for the improvement of health-beneficial programmes. The technical assessment and comparison of the costs and effects of various medical therapies using economic evaluation is a crucial component of the health sectors (Dang *et al.*, 2016). Medical providers are experts and professionally provides clinical care delivery services and medical facilities to the patients. Effectively in today's era, it is mandatory to be extremely updated for the clinical and administrative staff members in a healthcare system, where implementations of the new technologies and the therapeutics are prime. It is imperative for the administrators (decision-makers) to have a profound professional expertise in financing and its proper allocation for the smooth running of the system.

The healthcare system is constantly changing and complex. Management capabilities are very important for the planning and organization of a system, where, managing money and allocation it for the proper need is vital. Countries allocate a calculated percentage of their GDP to the health sector. Health sector resources are being efficiently used by the managers and decision-makers, but the amount of money received from the government or the stakeholders is not enough always. Fundamental and advanced knowledge of the economics are essential for the cost-effective public health decisions-making process. Healthcare administration plays a tricky role, where it is a critical job for the managers to deal with the health finance allocation. Healthcare policymakers starting from the regional, state, national or global level must have the information and experience on the public health issue and associated contemporary economic situations. Corporate leaders, healthcare managers should not only have the effective understanding of the health economics but should have the insight or efficacy to deal with the financial allotment between partners and manage the economic

turbulence. The difficulties, challenges, and the complexities in the healthcare units need professional economic experts to address the diverse financial issues with the focus to the patients importance by effectively supporting them for a healthy lifestyle with the concern to regulate funds in an effective manner. In fact, the commercial healthcare units (like private hospitals, insurance companies, etc.) have a compulsion to the funders or the shareholders and have a specific target of making the profit. However, the non-profit healthcare are capable to fund their proceedings and functions. Medical providers, administrators, strategy-makers working with the vast healthcare system, can work more effectively if there is the proper implementation of the profound financial knowledge.

Opportunity cost is a fundamental principle of healthcare financing where the least amount of money is spent to obtain the greatest possible health benefit. A health economics assessment essentially compares two or more clinical interventions in terms of costs and outcomes. There are four main types of health economic assessments: cost minimization, cost effectiveness, cost benefit, and cost advantage. Cost minimization is usually compared when the products or results are the same. For example, when evaluating the price of antihypertensive drugs, consider comparing the same drug from different manufacturers and finally buying the cheapest drug. Cost-effectiveness is associated with different clinical interventions with common outcomes. Suppose you want to compare a clinical intervention for weight loss results with another intervention for the same results. However, in terms of cost-effectiveness, the intervention is considered to have a low cost-benefit ratio. It is somehow important to analyse whether interventions lead to different health outcomes. Cost-benefit analysis is the benchmark for this. where the parameter is called QALY or quality-adjusted life years. Health interventions aim to extend the lifespan and quality of life of patients. The QALY measures years and quality of life after clinical intervention. A cost-benefit analysis deals with all costs and all benefits in terms of direct, indirect, and intangible aspects.

Local, national or international healthcare systems are complex systems. The system consists primarily of clinicians and his two groups of administrative staff. Administrative professionals primarily manage the functions of the healthcare sector by employing efficient administrative professionals who are not only capable of managing systems, but also have knowledge and experience in managing and regulating funds. "How to manage the funding of the healthcare system" is a really difficult question. Adherence to basic rules of health economics, financial strategy, and resource allocation decision-making are essential criteria for the smooth operation of the healthcare system.

Health policy is always complex due to the linkages with related industries, especially stakeholders. Management's engagement with these relevant policy-making experts is an ongoing process. Global health policy is somewhat more complex than local or regional policy. The healthcare system basically consists of his three main components: inventory, infrastructure, and healthcare. Supplies are consumables, infrastructure are buildings, sector equipment. These components have supply and demand equations that are effectively manipulated by professional managers. Health insurance or insurance is a complex financial process that depends on the policies of the country (state) with which the insurer is affiliated. Apart from the salaries of working professionals, regulation of the supply and demand chain and fiscal policy with stakeholders and the government are effectively carried out by executives. Considering the health assessment process (cost minimization, cost-effectiveness, cost-benefit, and cost-benefit), managers should, without loss in the sector, establish regulations and priority list regulations and protocols.

The WHO, or World Health Organization, is a professional organization that operates worldwide and is plays a crucial role in the global public health. The WHO faces a financial crisis due to global economic turmoil. Less militant and less important issues, such as the establishment and design of timetables for emergency programme for financial, health issues, seem to be endorsed by member states. But, on the contrary, those same member states have not taken the appropriate and prompt initiative to increase their annual contributions to the organization (WHO). Conversely, it is a crisis for WHO to have supreme autonomy. In fact, WHO is deeply supported by many volunteer supporters from several state and non-state actors. Economic reform requires process changes that increase transparency, accountability and effectiveness. This is related to the political economy status

and innovative ideas about WHO's leadership and decision-making role in the international health context. Promoting continued transparency, plasticity, predictability and autonomy of WHO economics is a major focus of the WHO Funding Reform Protocol. However, the integrity and plasticity of Member State contributions remains a controversial issue and a concern for proper autonomy. As a progressive and cutting-edge approach, WHO's Funding Statement continuously works to improve the effectiveness and effectiveness of the use of resources. Apart from progress, WHO has received significant support from sponsors for funding large-scale global programs, essentially diminishing organizational autonomy and global leadership (Reddy *et al.*, 2018). According to WHO, the Economic Evaluation Analysis (EEA) team helps various countries organise, assess and implement financial authorities in developing health policies. The system focuses on resource allocation and critical decision-making, focusing on the impact of resources on socioeconomics and the assessment of good healthcare systems. The EEA effectively quantifies the impact of health financing and related policies on global healthcare, especially in relation to equity and coverage issues. All issues will be addressed through leadership and the development of appropriate methodologies and technologies to enhance national capacity and provide the country with technical assistance to effectively generate and implement financial entities. Advances and evolution of healthcare funding protocols are likely to address multiple clinical challenges to serve the population. This can have a profound positive impact on healthcare outcomes. Health economic strategies create innovative and efficient ways to deliver specific services in health systems where resource availability and access influence decision-making. The crises, decisions and policy issues related to health resources and funding of all kinds are not always clear due to the complexity of the system. Health Resource Management (HRM) plays an important role in the decision-making process. These efforts essentially include an overview of the functional components of the healthcare sector, such as technical support. For example, the Electronic Health Record (EHR) is an essential way to keep patient records electronically. Therefore, there are enterprise resource planning tools that record and track access and availability to resources in the healthcare sector. Executives use these tools effectively to improve the decision-making or policy-making process, which supports resource allocation in an effective manner.

Out of control indicators of the economic system not only affect society but lead to colossal systemic changes that can be called transitions. The goal is always to repair the system by restoring homeostasis. This requires a working implementation of a migration management protocol. Protocols can be precisely analyzed in terms of currency, resources and governance to enable sustainable options. Evidence of controls during transition should be specifically targeted at identifying and analyzing the global governance landscape.

### **Socioeconomic perspectives in healthcare**

Health professionals are changing the way care is delivered, but it is critical that systems of care for patients in vulnerable populations remain intact. A better understanding of the important role of social parameters will help the health sector and policy makers analyze interventions to improve transitional care (Nagasako *et al.*, 2014).

Social and economic conditions are important factors in accessing health experiences and health outcomes. However, patient's socioeconomic status is rarely considered in medical records. Reasons include potential benefits at the individual level and access to healthcare to improve healthcare equity. The protocol raises concerns about the physician's role in responding to patient's social issues. Importance of social health parameters related to biomedical factors. These rationales appear frequently in various literatures and have been applied to various institutions and healthcare systems. Recognizing and responding to social determinants of health has been shown to improve health outcomes for patients and populations. Consistent with evidence-based principles, replacing local-level surrogates of deprivation with individual-level socioeconomic information supports more accurate research, improves healthcare delivery, and assesses the magnitude and causes of health inequalities. It has been argued that the Intervention and policy impact (Mascorp *et al.*, 2019).

Assessment of social parameters in healthcare systems should include socioeconomic status (SES), education, environment, employment and social networks, and access to healthcare systems. Indeed, social determinants of health are arguably essential to reducing inequalities within the system and improving health systems. There is an exponential increase in the number of initiatives addressing the social determinants of health. Indeed, initiatives are being taken to design policies in non-health-related (relevant) sectors to promote health equity (Artiga and Hinton, 2018). The Cost of Illness assessment (COI) translates the debt of multiple diseases into financial value to assess the socioeconomic costs that multiple diseases inevitably impose on society. Approximate costs from COI assessments are an important and fundamental basis for assessing public health expenditures and losses, which ultimately measure the socioeconomic burden that disease imposes on the society (Choi and Lee, 2019). The rapid increase in the aging of the global population has highlighted concerns about the health and medical care of older people. There is strong evidence to support an association between SES and access to healthcare and health outcomes in older adults. Economic resources are directly proportional to health and need serious strength to support the elderly (McMaughan *et al.*, 2020). Evaluation of SES is of great importance in healthcare research. Poor socioeconomic conditions lead to poor healthcare systems. Discrepancies between SES and health are commonly addressed when evaluating potential and specific health outcomes. Analysis of these discrepancies can provide insight into pathogenesis mechanisms and protocols. Several SES factors in health research can analyze these discrepancies and are effective in assessing the role of socioeconomic conditions (Galobardes *et al.*, 2007). Low SES is an established parameter of poor health outcome. High-income, low-SES countries are at risk of in-hospital mortality and may have poor quality and inequitable healthcare systems (Davies *et al.*, 2019). Problems with measuring SES frequently included in clinical and public health studies as a control variable and less frequently as the variable(s) of main interest could affect research findings and conclusions, with implications for practice and policy. We critically examine standard SES measurement approaches, illustrating problems with examples from new analyses and the literature. For example, marked racial/ethnic differences in income at a given educational level and in wealth at a given income level raise questions about the socioeconomic comparability of individuals who are similar on education or income alone. Evidence also shows that conclusions about non-socioeconomic causes of racial/ethnic differences in health may depend on the measure like, income, wealth, education, occupation, neighbourhood socioeconomic characteristics, or past socioeconomic experiences used to “control for SES,” suggesting that findings from studies that have measured limited aspects of SES should be reassessed. We recommend an outcome- and social group-specific approach to SES measurement that involves (1) considering plausible explanatory pathways and mechanisms, (2) measuring as much relevant socioeconomic information as possible, (3) specifying the socioeconomic factors measured (rather than SES overall), and (4) systematically considering how potentially important unmeasured socioeconomic factors may affect conclusions. Data sources need better SES protection but can be improved by using existing information more carefully and recognizing its limitations (Braveman *et al.*, 2005). SES is directly related to morbidity and mortality. SEP plays an important role in the COVID-19 pandemic, directly or indirectly, through occupation, living conditions, health-related behaviours, presence of comorbidities, and immune function. However, the impact of socioeconomic factors on COVID-19 transmission, severity and outcome is still unknown and under investigation. Here, we briefly review the extent to which SEP is being considered as one of the potential risk factors for COVID-19. With the spread of COVID-19, it is important to collect and report data on socioeconomic determinants and race/ethnicity to identify at-risk populations. A systematic assessment of the socioeconomic characteristics of COVID-19 patients will identify the most vulnerable groups, determine how SEP is associated with COVID-19, and promote equitable public health precautions, policies, and interventions. It will be useful for developing interventions. There is an urgent need for high-quality data on socioeconomic factors with critical implications for the development of public health interventions to identify groups most likely to perform poorly. Social measures such as age and gender should be considered clinical variables and should therefore be recorded in medical records

on a regular basis. We need to recognize the collective contributions of social determinants of health and their intersectionality in mitigating (Khalatbari-Soltani *et al.*, 2020).

Geographic mapping can identify and correlate specific health problems and socioeconomic indicators of the aging population to inform health workers to implement precise control measures in a very short time frame (Dermatis *et al.*, 2021). Social capital includes social networks, exchange protocols, support and trust. Interest in social capital in healthcare has skyrocketed in recent decades, and numerous studies have shown that social capital has a positive effect on healthcare systems. However, it is important to understand how different types of social capital affect health (Ferlander, 2007). Socioeconomic disadvantage is a risk parameter for several diseases. The results demonstrate the importance of mental health issues during various socioeconomic patterns during physical illness. Adopting health practices that consider psychological health issues in relation to social contexts may prove effective in reducing health inequalities (Kivimäki *et al.*, 2020).

A systematic review with meta-regression analysis is useful for assessing changes in socioeconomic indicators. A random-effects model was used to quantify meta-analyses and statistical sequences. The most common socioeconomic indicators were education, income and socioeconomic status (Costa *et al.*, 2018). Health self-management behaviour of older adults show that people differ by location, education and income (Chen *et al.*, 2014). Health awareness and activism is the ability of citizens to meet the complex health requirements of modern society. Low health activity is strongly associated with low socioeconomic status, poor health and inactivity (Svendson *et al.*, 2020). Socioeconomic surveys are important to health systems. In fact, the healthcare system is designed to serve the public. If public health is at stake, so is social status. In any case, ideally, it would be desirable to provide all patients with equal access and the highest quality of care. Delivering quality healthcare services to a diverse population of economic backgrounds is indeed a daunting task. But economists and sociologists have always been interested in this complex connection. This multidisciplinary outcome is undoubtedly an important issue for healthcare administrators. Because they can gain insights from this research and apply the theory to the health system in practice to provide quality care to patients from diverse socioeconomic backgrounds.

### **Economic stress in the healthcare industry**

Global economic crisis affects the health system by increasing costs of services and an upsurge in the health service disparities due to the socioeconomic status. Financial crisis has obstructed the healthcare system in many countries by decreasing the essential resources and fund possibilities (Nutti and Vinieri, 2014). Compared to other industries, the healthcare system is a costly industry when it comes to providing quality healthcare to people. The complex economics of the system therefore complicate the industry's finances and governance. A novel funding model has been proposed by Nakatani *et al.*, (2020), This allows us to stabilize our R&D (research and development) department when the market fails. You pointed to cooperation between government, industry and some philanthropic organizations. The pandemic is a highly visible example of a health and economic crisis that has directly impacted healthcare. Throughout the history of healthcare, healthcare workers have played a key role in developing strategies to combat economic crises. New advanced management protocols are now being implemented in the health sector to deal with the financial crisis caused by the COVID-19 threat. Healthcare organizational management plays the crucial role in accompanying a sturdy financial implication for the health system and estimates the function by their administrative strategies (Vinieri *et al.*, 2019).

COVID-19 is having a negative impact not only on people's lives, but also on the global economy. The international financial system, a highly interdisciplinary system, caused great turmoil during this period. International supply chains are facing challenges due to the COVID-19 pandemic. Countries with large populations, poor health facilities, low socioeconomic conditions, limited sanitation facilities and lack of housing, among others, are facing serious challenges due to the pandemic. Lockdowns have impacted the daily lives of many population groups, who generally belong to poor classes. COVID-19 tends to impede financial progress, increasing economic tensions and macroeconomic threats. Induce small and medium enterprises and informal industries. at risk of

unemployment and food insecurity (Rasul *et al.*, 2021). The COVID-19 pandemic has been the major damaging phenomenon of the last decade, resulting in socioeconomic complexity. The number of patients in hospitals is increasing regularly and the medical sector is facing difficulties in coping with the crisis. An updated analysis of the healthcare implementation of the COVID-19 pandemic. It highlights key economic and operational factors that may be impacted, including unexpected demand, resource and capacity constraints. Therefore, the authors believe that healthcare organizations, practitioners, and governments need to anticipate operational and economic impacts and ultimately reassess their plans to address such adverse events increase (Leite *et al.*, 2020).

The economic crisis has resulted in lower GDP, unemployment and exponential economic pressure. The crisis is making it difficult for people to access care services. There are several factors that have made it easier for some countries to respond effectively to crises. Negative impacts could grow exponentially as the crisis continues. The economic impact on society therefore has a direct impact on the healthcare system. The impact of economic threats on healthcare sustainability is a serious concern. While the relationship between economic uncertainty and health system impacts is complex, the health industry is severely impacted by global and regional financial threats. European local practices show that adequate and economically sustainable health systems are possible and are a reference model for creating international and regional health systems without compromising service quality (Pettoello-Mantovani *et al.*, 2016). Experience and resources are essential to reach high-end global healthcare, but a new paradigm for better development, security, and human rights is essential. New scientific approaches can particularly contribute to building better quality healthcare systems. However, there are certain factors that influence global health, like social justice, economic condition, and increased socialization of healthcare production (Benatar *et al.*, 2011).

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