Commentary

iMedPub Journals
http://www.imedpub.com

Journal of Health & Medical Economics
ISSN 2471-9927

2017
Vol. 3 No. 1:6

DOI: 10.21767/2471-9927.100032

Consumers and Their Demand for Healthcare

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Citation: Babalola O (2017) Consumers and Their Demand for Healthcare. J Health Med Econ. Vol. 3 No. 1:6

Received: August 11, 2016; **Accepted:** August 23, 2017; **Published:** August 28, 2017

Demand by definition is an economic concept that describes consumer's desire to pay a price for goods or services. If all other factors are constant, a rise in the price of a good or service will reduce demand and a decrease in the price of a good or service will increase demand [1]. Healthcare demand is gradually rising. According to Dixon-Fyle and Kowallik [2], many countries will spend more than 20% of Gross Domestic Product (GDP) on health care by 2050. Two main contributors to this growth are the increasing prevalence of preventable illness and the suboptimal use of healthcare resources. These factors are influenced by choices consumers make. For instance, obesity is on the rise in the United States. Obesity is preventable and can increase the risk of diabetes, stroke, and heart disease. Some patients do not take appropriate control of their health and seek treatment when conditions become chronic. The lack of initiate to live a healthy life and prevent chronic illness such as obesity has led to misuse of the healthcare system, hence, increased cost [2]. This article will review how demand for healthcare differs from demand for other services and the reasons why consumers make irrational decisions in their healthcare choices.

According to Mwachofi and Al-Assaf [3], one can argue that, in general, health care is only valued to the extent that it improves health, so health is primitive in the description of consumers' preference [3]. Some important concepts or factor that influence demand in healthcare have to be well defined in order to understand the concept of demand in health care. These are:

1. Prices: This is the amount of money expected in payment for something.
2. Consumer: For the sake of this paper, a consumer is defined as a buyer or a patient.
3. Income: This is money earned especially through investment or work. Income can influence demand for healthcare. If a consumer is a low-income earner, the consumer may not seek healthcare for common sickness. Likewise, a consumer who earns more may be more willing to spend on healthcare.
4. Governmental influence: Policies such as subsidy can increase demand for healthcare as patients are charged a lower price.
5. Supply: Is a fundamental concept in economics that describes the total number of a specific good or service available to consumers. Supply can be determined by price, competing goods, and demand [1].

Healthcare is different from other services because it is not clearly defined. In most industries, the product or service can be standardized to improve efficiency and quality. In healthcare, every consumer is structurally, chemically, and emotionally different. What works for one person may not necessarily work for another. Healthcare also differs in terms of choosing consumers. In other services, there is a choice in selecting which person or industry business can be conducted with. It is not so in healthcare as treatment has to be provided to patients in places like the emergency room regardless of patients' ability to pay or not [4]. Furthermore, healthcare professionals are rarely paid directly by their patients like in other industries. Payment usually comes from government or insurance companies. These factors make healthcare unique when compared with other services.

The demand for healthcare comes from the desire of the consumer to gain good health. Most people prefer being healthy to being sick. Another factor that makes health care different from most other goods and services is that it is simultaneously an investment. The money consumer spends on being healthy today will also benefit the consumer in the future. Another key characteristic of health care is that demand is relatively inelastic [5]. If a consumer is sick and requires medical care, the consumer will purchase healthcare services at almost any price. The consumers' ability to purchase healthcare is ultimately limited by the customers' income, but consumers are likely to trade off spending on many other products to purchase the medical care needed.

Unlike other goods or services, the quality of health makes it difficult to meet the ideal market solution. Health is not a marketable product. It is not possible to swap "good health" between customers. For instance, Customer A cannot change his or her hemoglobin A1C result of 5.6 with Customer B whose result is 11.9. In other services, if Mr. A purchases an air purifier online from Amazon, if he chooses to return the product because of any reason, he can. If he decides he wants to sell it on Craigslist, he can also do that. This type of exchange is not possible when it comes to health.

According to Mwachofi and Al-Assaf [3], with other services, demand can be predictable, and consumers have the ability to test the product or service before consumption. For instance, If Mr. G is thinking of purchasing a phone application to track weight loss goal for $12.99, the company offering this service can give Mr. G a 30 days free and no commitment trial period. This type of service is not possible in healthcare. A patient cannot have a 30 days trial for gastric bypass. After the completion of a surgical procedure, there is no "give me my money back" and the patient has to live with the outcome whether it is an expected positive outcome or adverse outcome with surgical complications [3].

Also, healthcare providers are usually more knowledgeable about illness and treatments than their patients [3]. Patients depend on their provider to act in the best interest, but there is a conflict of interest because the providers are selling the services to the patient. In this case, demand and supply are interwoven and jointly determined by the individual at the same time, and this can lead to market failure. For example, if a provider's motivation is driven by profit or increased income, the provider may order more services and tests than required. Hence, the consumer pays more for unnecessary services without having knowledge of it. Furthermore, with other services or goods such as purchasing an automobile, the buyer does not have to have years of education before understanding the best vehicle for his or needs. This information can be found via several avenues such as automobile books, car television channels and from an internet search.

Consumers make choices every day. They decide when to seek medical care, whether to have surgery, whether to vaccinate themselves or their children, and how often to go for provider follow-up visit. The process of making such choices can be complicated because it may involve weighing potential risks and benefits, finances, advice from family members, and providers. There are times when consumers make rational decisions. However, there are also times when they do not make rational decisions with their healthcare choices. The later part of this paper will discuss literature review supported with examples illustrating how consumers do not make rational decisions in their demand for healthcare.

A study by Duran et al. [6], explored choices patients make when deciding to go to the emergency department (ED). Healthcare professional triaged patients in the ED with non-urgent complaints. A semi-structured interview was conducted in 10 EDs with 87 non-urgent patients and 34 health professionals [6]. With the evolving health care system, there is a perception that patients seek medical attention whenever it is convenient for them regardless of consideration of the type of setting. The study shows that some of the problems presented can be appropriate at primary care clinic settings, and some of their concerns can wait for days before seeking medical care, and some did not need the medical care at all. Part of the reason for this is that patients felt like the ED is obligated to triage every case that walks through the door and hence, the patient will be seen by a provider and will either receive treatment or medical advice. The study found that some patients are not rational about their decision in their demand for health care because of easy access to ED [6]. For example, Mrs. B has a health insurance and a primary care provider. While at work, she scraped her right hand. The right had had a minor superficial abrasion, no bleeding, no edema, no pain, and no bruise. She did not want to make an appointment with her primary care provider, so she decided to walk in the ED to be seen. This type of concerns can be deferred to primary care so that the ED can save their resources for patients who have a true urgent or emergent need. The healthcare professionals do not view this type of decision by the consumer as a rational decision because it is perceived as misuse of the ED service for non-urgent problems. Mrs. B can be seen as a customer demanding healthcare without a rational decision of the appropriate setting needed for her care.

Another reason consumer does not make a rational decision in their demand for health care is because of information overload given to patients from healthcare resources including healthcare providers and insurance companies [5]. The healthcare system is rich with information as it collects and generates large volumes of information on a daily basis. Information provided to consumers can also be too technical and not as straightforward for many people. Some consumers are too impatient to deal with unfamiliar and overwhelming information, thus; consumers make irrational decisions that may not necessarily benefit them long-term [1]. The implementation of healthcare reform has brought on many health insurance options. Consumers buying in the commercial or individual market or among Medicare's private plan options can face between 20 and 40 health care options. This type of information is overwhelming for anyone regardless their educational background. The information provided on each insurance health plan is not always easy to understanding. Some have charts, graph, and data that require some mathematical calculation which requires skills that may not be common in some population especially the low-income population. A common assumption is that more options will increase the chance that consumers can find an insurance option that meets their need. However, Consumers Union examined the substantial literature in this area and discovered that while some choices are good, too many choices undermines consumer decision making [7].

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