

# HEALTH ECONOMICS AND HEALTH SERVICES ADMINISTRATION: NEW APPROACHES

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## Abstract

Health services have the biggest share in the national income of developed countries. Also the share of health expenditure in the family budgets has similar characteristics. As parallel, the both of shares have been increasing in the developing countries. Determining this situation in the world is important for health economics. According to the studies, health expenditures are not only consumption expenditures but also investment expenditures. But its effects influences not on itself but on services and production sectors. In other way, indirectly effect of health expenditure to economic growth is high.

Increasing demand and cost in hospitals necessitate of increasing productivity and efficiency. The most important way of increasing productivity and efficiency is “management and organization”. Since growth of hospital, augmentation in costs and its complex structure, the importance of management and administration of hospital is increased. It is became discrete discipline and branch in western countries especially in USA.

The aim of this study is to examine the increasing importance of hospital management and administration in parallel with developments in the health services by each passing day. Beside, new approaches in health services administrations are investigated.

**Key Words:** Health economics, health services administration, health, hospitals.

## Introduction

The changes in the health services have increased the importance of health. Even health is defined by WHO (1948) “Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity” this is very difficult to reach and measure. So, regular developments in this area are targeted (Seçim, 1991:5).

Three elements oblige the changes in the health services. First evolution, in addition to population growth the life time is raised 3 years in the each 10 years and utilizing frequency from the services is increased parallel to increased health conscious, thus, needs for medical application are increased. Second evolution, experiences in medical technology is increased two fold and expensive high tech applications are expanded in the daily life. And third evolution, in the wake of changing of epidemiologic spectrum, importance of acute illness is decreased and chronic illness, which is expensive to treat, became important. Due to the reasons above, the costs of clinic services which are the main functions of hospitals have been speedy increased. From this aspect, compensating of this huge cost in the whole health systems causes huge discussions and it obliges come to new agendas in national health systems (Sayar, 2005).

## **1. Health Economics**

Two main criteria that indicate economic importance are the rate of expenditures for health industry according to the total GDP of the nations and the rate of those expenditures according to family budgets. Exposing the scene of the health expenditures is pretty significant for health economies and countries on world. Health serving sector takes places the greatest pie in GDP in developing countries. Health expenditures in family budget became one of the most consumption sectors. These two rates are increasing day by day especially in developing countries (Tokat, 1994: 55-57).

In 2000, OECD countries average for total health expenditures are 7.9% of GDP and the highest rate is obtained in USA as 13.1%. In 2000 for OECD countries, health expenditure per capita average merchandising parity value is 1880 PPP \$. For OECD countries the rate of total health expenditures for public and private sector in GDP are; public: 5.9% private sector: 2%. Rates for USA are public: 7.3% private: 5.8% (Anonymous, 2004a:28-30).

Main factors that determining the contributions for economic development by health expenditures are (Tokat, 1994:68):

- Labor force and loss of labor force resulting from illnesses were defeated.
- Children are provided opportunity to become healthy during the education.
- As a result of diseases unexploited and idle sources are enabled to work.
- Enables some sources might be used for another purposes except curing diseases.

Health expenses with effects of these factors (Tokat, 1994:68):

- Avoiding loss of labor force
- Increasing efficiency
- Feasibility to have a chance of better business.
- Increasing the average life span and as a result increasing the productivity and contribute economic development

Researches indicate that health expenditures are not only consumption expenditure but also they are a kind of investment expenditure. However, its effect is not for the own sector It's for production and service industry. In other words health expenditures affects economic development great amount of but indirectly (Tokat, 1994:69).

The final aim of a country is progress and one of the basic indicators of improvement is health indexes. Lately, progress, health and educational problems are being stated as solved level. That is improvement became likewise solving health problems. As a result enough dense and quality of a health serve is accomplished and accessible for everybody (Tokat, 1994:72).

## **2. HEALTH SERVICE ADMINISTRATION**

### **2.1. Hospital Administration**

Today hospitals have two properties which are important among community. First, hospitals have two kinds of services from diseases which are cures and protections. People need a healthy life and hospitals have a great role to give people what they need. Thanks to increase in population the increase in concept of, urbanization, industrialization and social security and increase in culture of community, it's impossible to think

hospitals roles are not greater. Cause of this is having a cure from the most improved and advanced medical technology and laboratories, taking organized care from nurses are could be done only in hospitals. The other reason why hospitals are important is big costs of serving expenditures. The reasons why hospital costs are high are the big costs of devices and relatively big costs of employees working in hospitals than working any other business (Kavuncubaşı and Kısa, 2002:68).

By making the health care more common to cover all country population, it will bring the country modernity. This coverage became with the help of health insurance and the problem of financing it is easily overcome because of the good organizations. Although the fact that the more source, the more quality, exaggeration of that is bad. Serving is not only supposed to be in good quality but also it supposes to be good quality with low cost. Therefore this coverage of all country will happen (Smith, 1993:1,10).

With the help of the advancement in Medical science and medical technology, advancement in nursing services and career opportunities in nursing advancement in medical educations, social security which is becoming widespread, today new hospitals arise (Kavuncubaşı, 2000:80-84). If a hospital uses the best devices that it could afford, works hard for customers and wishes best for customers, it could be a modern place (Gündaş, 1968a:4). Modern hospital is aware of duty, responsibilities and they are social foundations (Kıral, 1976:5).

Properties of hospitals: Here are some properties of approach development and consequences of medical establishments; (Kavuncubaşı, 2000:52-56).

***Structural properties:***

1. Specialization: Specialization is highly common in medical establishments
2. Functional dependence: This is very common. Thus, among different working group activities it is necessary to be coordinated.
3. Professionalization: human resources department are professionals in medical establishment
4. Hardness of administrative inspections: There is no active inspection mechanism for doctors who have a great role in deciding dimensions of service and expenditures
5. Two leader position: Most of the hospitals there are two leading positions and the situation leads problems such as control and coordination.

***Process:***

6. Confusing and variability of tasks: Tasks in medical establishments are confusing and variable.
7. Urgency and priority: Most of the activities in medical establishments are urgent and prior
8. Sensitivity for failure and unclearity: Activities are pretty sensitive for failure, unclear and there is no tolerance for them.

***Output:***

9. Defining and measuring the results: It is a hard job to define and measure the results.

In order to health services become efficient that is being able to change positively according to community, health services is suppose to have some properties. Properties of effective health service are quality, easy usability, permanency and efficiency (Kavuncubaşı, 2000:64).

Health services even if in very liberal countries did not lose public affairs property. In health services existing of supply and demand most of the time has similar properties with free competition market. Therefore, education level of staff, level of serving, place, format, and similar factors like them can not substitute with the other services and demand of services that have strict price elasticity is affected. Contemporarily the importance of the community constituted by healthy people is understood much more (Yıldız, 1996:91).

Modern establishments are not complex like medical establishments because the connection, work sharing, specialization, dependency makes hospital complex and matrix organizations can deal with this complexity (Yıldırım, 1993:12).

In modern countries medical sector stands in 3rd or 4th position (Seçim, 1991:2). By thinking huge place it takes from health sector hospitals are thought to be big organizations and supposed to be managed professionally (Akar and Özgülbaş, 2003:12).

## **2.2 Hospital Management and Managers**

The hospitals perform efficiency their services with efficient management. The more effective managing is the more effective services. Hospital management is not different from general management. It covers planning scheduling budgeting organizing conducting and controlling. To reach the goals hospitals should manipulate the economic constraints and labor power (Ak, 1990:94).

Since hospital management has different properties from others, hospital management became differentiate; consequently, the characteristic of hospital managers should be determined. It proves that, hospitals have to be managed with professionals (Ak and Akar, 1988:37).

Education commission of Medical administration which is constituted in USA defines health management (Sarvan, 1995:4) as “management of health is done by medical care and a healthy environment which is constituted with the help of source, phase, organizations, canalize, control, coordination serves community and makes them comfortable.”

Health facilities management which is decided human and other sources in a formal organized way contains dependent and social process (Kavuncubaşı, 2000:4).

Medical organizations must be thought as an economic unit. Health facilities management exists in order to protect people from diseases cure them and organize financial and human resources by the way of advancement in medical services. Health facilities management means managing medical institutions with scientific principals (Kavuncubaşı and Kısa, 2000:48).

The goal of health facilities management: The goal to pursue is a good care for patients and low costs while organizing good care. The aim of the managers is to make hospital a reliable place and managers wish good feedbacks from customers (Gündaş, 1968b:8).

If a hospital manager managed hospital well, it can be understood that it is a group work success not only managers. Decision responsibility belongs to board of administration. Therefore board members are responsible for all decision steps (Berman et al., 1986:59-60).

Medical services in all developed countries are getting the highest financial value from GDP of that countries and this value increases day by day. Health care services have a big ratio in national labor force. Thus, careers in health services became very popular in USA. In modern societies, health care services management is one of the hardest jobs and organizations wants to hire well developed medical services managers (Sarvan, 1994:4).

There are some properties such as managerial and a function of caring sector which makes health service management more important. One property to make health service management more important is customization of services. Because personal health services are not thought to be same for total, all of them should be designed personally and this constraint even makes job harder for managers. Second property is from health centers to little health care units hospitals need slightly different approach than any other management. Lastly one hospital manager is supposed to work in harmony, share responsibilities with the doctor's nurses other hospital employee, politicians, public leaders. That makes managers work more complex (Sarvan, 1994:5).

Managers have responsibilities for board of administration. Chief executive officer took a right to manage the hospital from board members. By using that right managers execute management. Looking from a point; responsibilities, managers manage hospitals (Seçim, 1991:42).

If we compare health service management and other management disciplines, we'll see that health service management is a new discipline. Medical services are thought to be as a charity. Therefore, health service administration pops up as a new discipline. Health service administration became popular after the year 1920 and the first master programme started in 1930 (Kavuncubaşı and Kısa, 2002:50).

Hospital administration specializes in the Ottoman Empire. Chief of staff is responsible for management of medical services, rest of are responsible from hospital managers who have business title "Tımarhane Ağası", "Bimarhane Ağası", "Hastane Nazırı", "Müdür-i Hastane" (Anonymous, 2004b:4-5). Alberto Bobovio, Italian voyager, visited to Istanbul in 1665 indicated that Enderun Hospitals had been administered by Bimarhane Ağası in his book (Ak and Akar, 1984).

Factors affect advancement in health serving administration: (Kavuncubaşı and Kısa, 2002:50).

- Expenditures of health increased.
- Hospitals becoming bigger and complexity exists.
- Popularity of health insurance and improvements in financial mechanisms
- Increase in competition
- Public and insurance facilities force health service administration to improve quality and effectiveness.
- Health service seems to have an economic value.
- The scientific information is increased about health service administration.

Moreover combining with these advancement the roles of health facilities are manager (1920-1950), coordinator (1950-1970), general director (1970-1980) and leader of management (1980-+) (Kavuncubaşı, 2000:100). After 2000, three roles are dependent each other; strategist role designer role leading role become more important (Kavuncubaşı and Kısa, 2002:53-55).

Responsibilities of the managers of health facilities may be ordered as: (Kavuncubaşı, 2000:103)

- Responsibility for employer.
- Responsibility for community.
- Responsibility for customers.
- Resource responsibility.
- Legality responsibility.
- Responsibility for insurance services

With the help of these responsibility manager are forced to work effective and efficient. Thus the demand for professional health service manager increased. Extraordinary increase in expenditures in health services in 1950-1980 gives a great power to manager and as a result that became a main cause converting the managing system into more professional one. Furthermore bureaucratization and complexity of health services gives more power to managers (Kavuncubaşı, 2000:105).

Managers must obey the rules of ethics. Managers are supposed to see that obeying ethic rules are a step of responsibilities and tasks they already have. Such responsibilities are for patients, organization and community (Kavuncubaşı and Kısa, 2002:59).

Hospital management and administration firstly developed in USA. The first master program started in 1934 in Chicago university business administration department as "hospital management master program" (Sarvan, 1995:8,10). In Europe the improvements like this started in approximately 1950 and most of them started education in 1960 (Sarvan, 1995:14-17).

In all levels of hospital management there are managerial careers and hiring these people is related with educational requirements, personal traits and personal skills (Snook, 1989:31-32).

Process of professionalize of hospital administration in USA is shown in Table 1.

Table 1. Process of professions in USA \*

<b>3) Occupations</b>	Full time	First Primary school	First university education	First local union	First national union	First government licence	Scientific ethical codes
<b>4) Permanent Occupations</b>	1700	1765	1779	1735	1847	1780	1912
Doctor	17 <sup>th</sup> century	1784	1817	1802	1878	1732	1908
Law	18 <sup>th</sup> century	1819	1847	1848	1852	1908	1910
Engineering	19 <sup>th</sup> century	1881	1881	1882	1887	1896	1917
<b>5) Half-Occupation</b>	1732	1887	1897	1885	1776	1917	1938
Librarian	17 <sup>th</sup> century	1861	1909	1885	1896	1903	1950
Nurse	1898	1898	1904	1918	1874	1940	1948
Social specialist	1803	1852	1879	1854	1863	1886	1866
<b>6) New Occupation</b>	1912	1921	1948	1914	1914	.....	1924
City Administrator	19 <sup>th</sup> century	1909	1909	1947	1917	1963	1948
City Planning	19 <sup>th</sup> century	1926	1926	....	1933	1957	1939
Hospital Administrator							
<b>Fake Occupation</b>							
Advertising	1841	1900	1909	1894	1917	.....	1924

\*Reference: WILENSKY Harold, "The Professionalization of Everyone" The American Journal of Sociology (V. 70, 1964), s.143

### 2.3 New Approaches

Like all the sectors, change in health sector is inevitable. Dynamic environmental conditions and dense competition economic ambiance forces organizations to act like what customers expect, makes them to have quality goods and services, and force them to forecast the future parameters. Future expectations and forecasts are not only for their gainings but also helping to notice the future threats (Akar and Özgülbaş, 2003:276-277).

In health sector especially in hospital sector what future brings is very important for governments due to the fact that the social format of health. In future important subjects will be expenditures of health services and GDP, accreditation of hospitals, alternative

paying models for health services, health insurance, malpractice and malpractice insurance, integration of organizations, outpatient service will become more common, nursing at home, old people caring, death right, organ transplantation, technology and hospital information system (Akar and Özgülbaş, 2003:278-284).

### 3. Conclusions and Proposals

For Peter Drucker, organizations are a need but there is not only one perfect organization. Therefore instead of asking what is the perfect way to have a perfect organization we should define constraints of organizations that are very important. Organizational system in hospitals should plan the processes that needs advance information and take them in action. Also organizations must be flexible to make employees comfortable. All members of administration (doctors, nurses, Labradoreans) are supposed to have information about management. For this purpose they must have the education and experience of management (Kızmaz, 2007).

To find the suitable management of hospital and organization systems national culture is one of the important hints.

For Peter Drucker “There is no organization better than the major management” This makes us to give strategic value to major managements (Seçim, 1991:4).

It is a requirement to make hospital management professional and instutional.

To manage hospitals like western hospitals one must choose autonomic approach.

Consequently as in the western countries one should accomplish “modern hospital management” and “modern hospital organizations”.

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