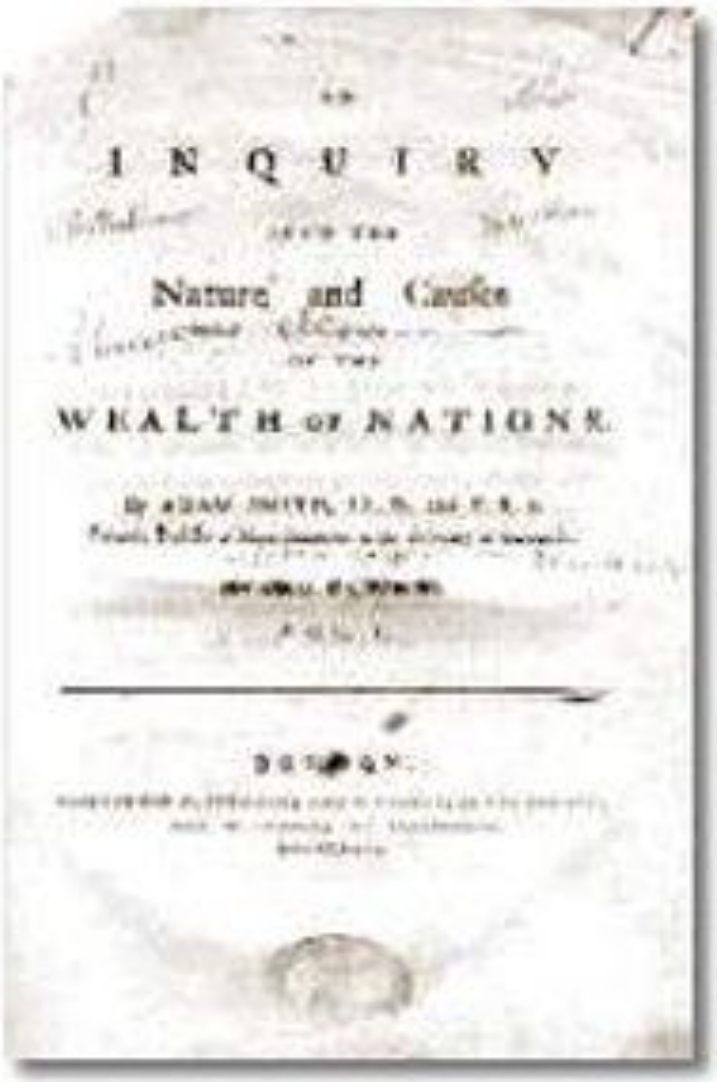
Why Health is Wealth

Bengt Jönsson
Stockholm School of Economics

Content

- Health and wealth – a complicated association
- Health and economic growth – the evidence
- Health expenditures – an investment in human capital
- Health investments for wealth – priority areas

Adam Smith: The Wealth of Nations 1776

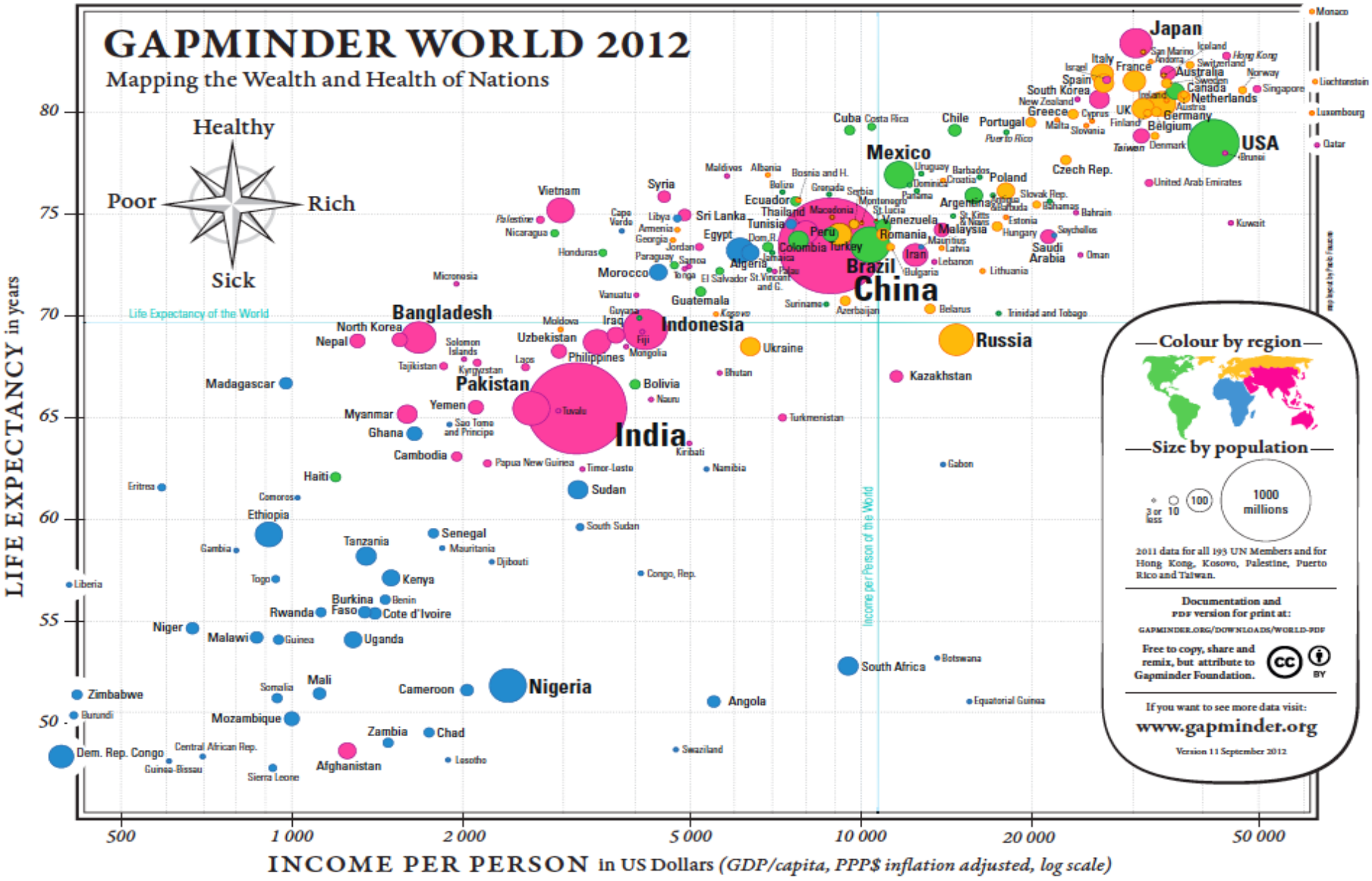


Wealth is not Money

Adam Smith outlined the concept of gross domestic product as the measurement of national wealth

- A nation's wealth is its per capita national product – the amount that the average person actually produces.
- For any given mix of natural resources that a country might possess, the size of this per capita product will depend on the proportion of the population who are in productive work.
- But it also depends, much more importantly,on the skill and efficiency with which this productive labour is employed.

HEALTH AND WEALTH – A COMPLICATED ASSOCIATION



THE RELATIONSHIP BETWEEN HEALTH AND GDP IN OECD COUNTRIES IN THE VERY LONG RUN

ROBYN SWIFT HEALTH ECON. 2011 MAR;20(3):306-22.

- 1% increase in life expectancy resulting in an average 6% increase in total GDP in the long run, and 5% increase in GDP per capita.

- Total GDP and GDP per capita also have a significant influence on life expectancy for most countries.

- There is no evidence of changes in the relationships for any country over the periods estimated, indicating that shifts in the major causes of illness and death over time do not appear to have influenced the link between health and economic growth

ANNALS OF ECONOMICS AND FINANCE 14-2, 329–366 (2013)

Health and Economic Growth

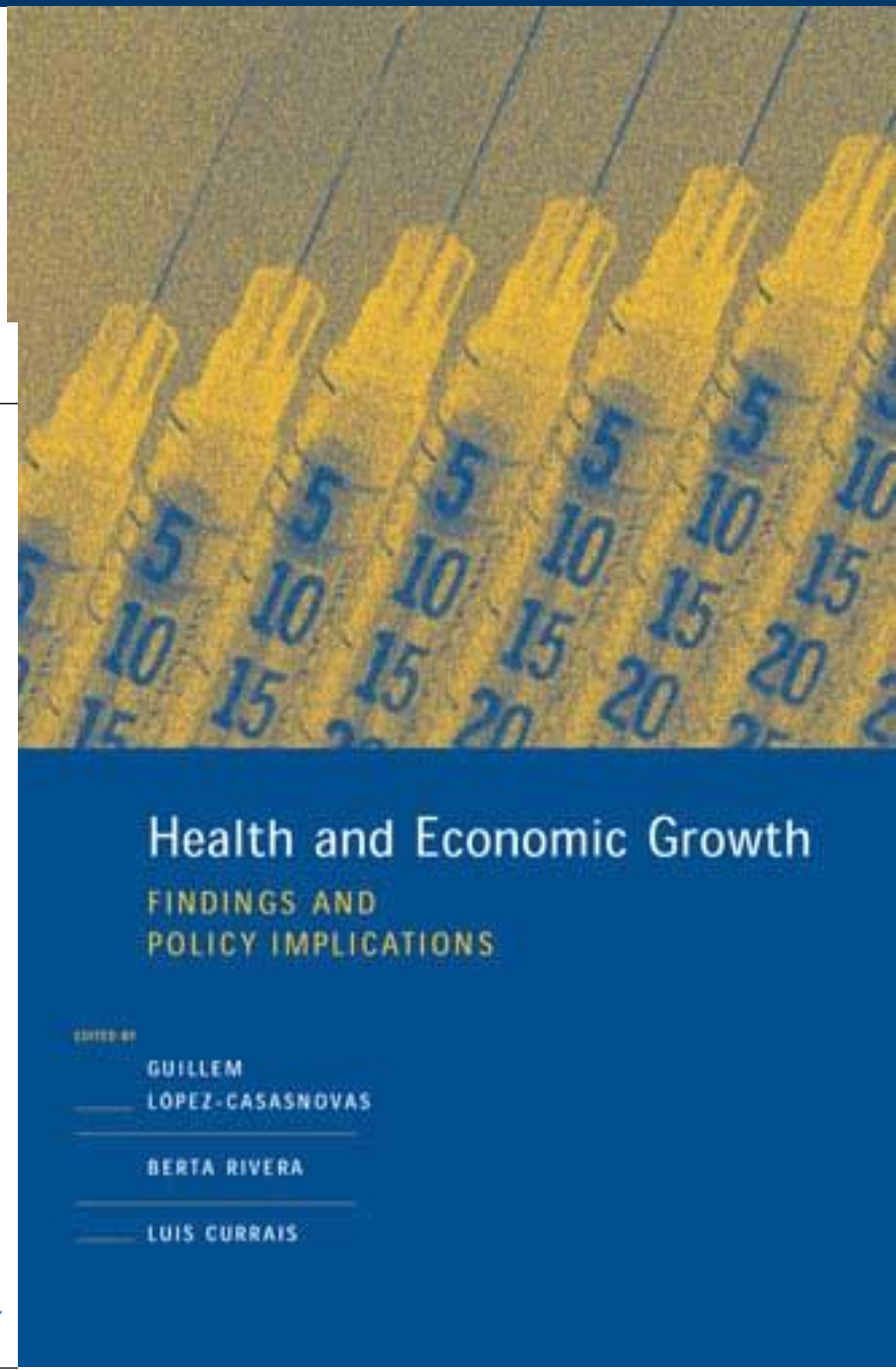
Robert J. Barro

Harvard University

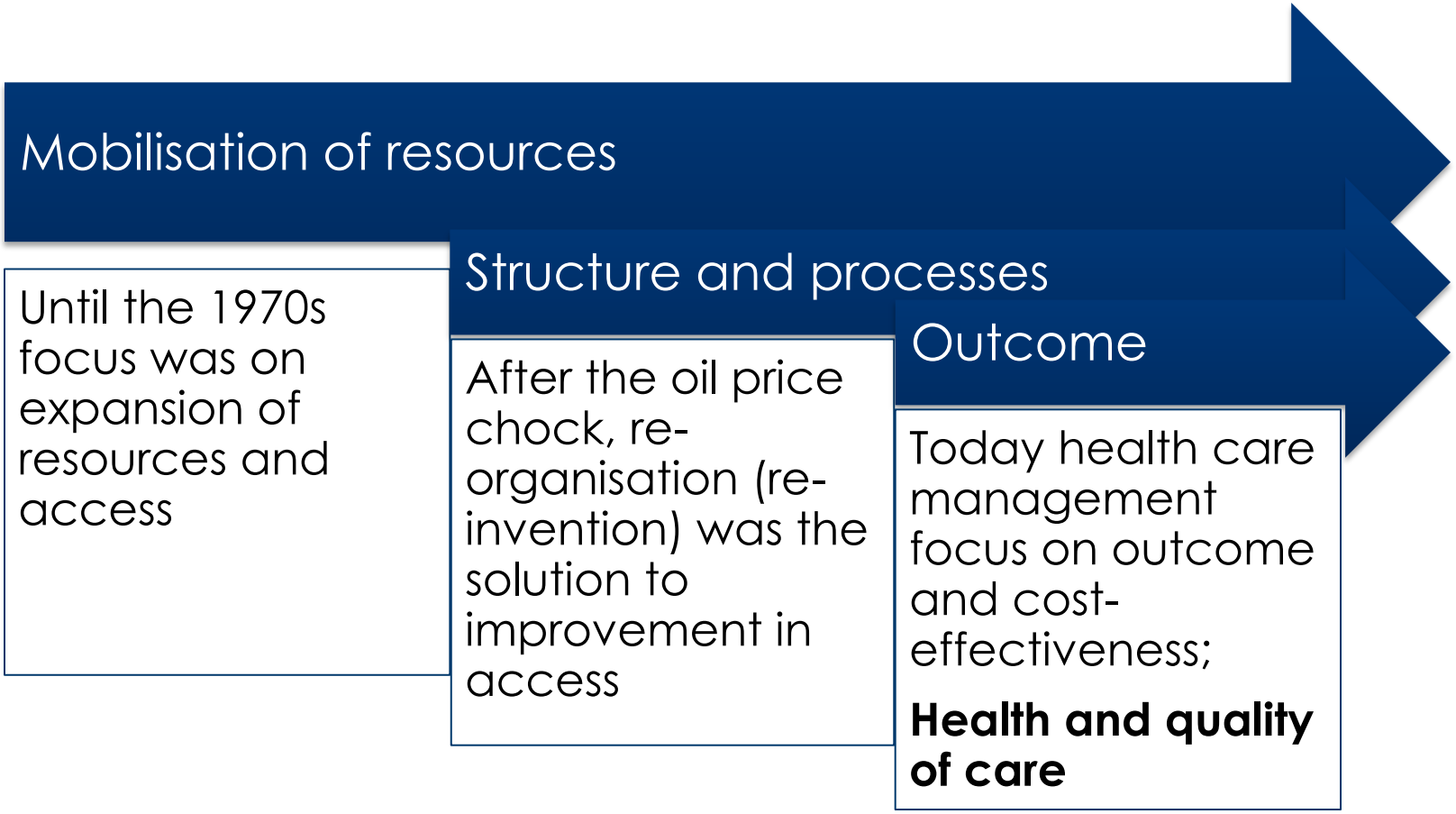
TABLE 1.

Regressions for Per Capita Growth Rate

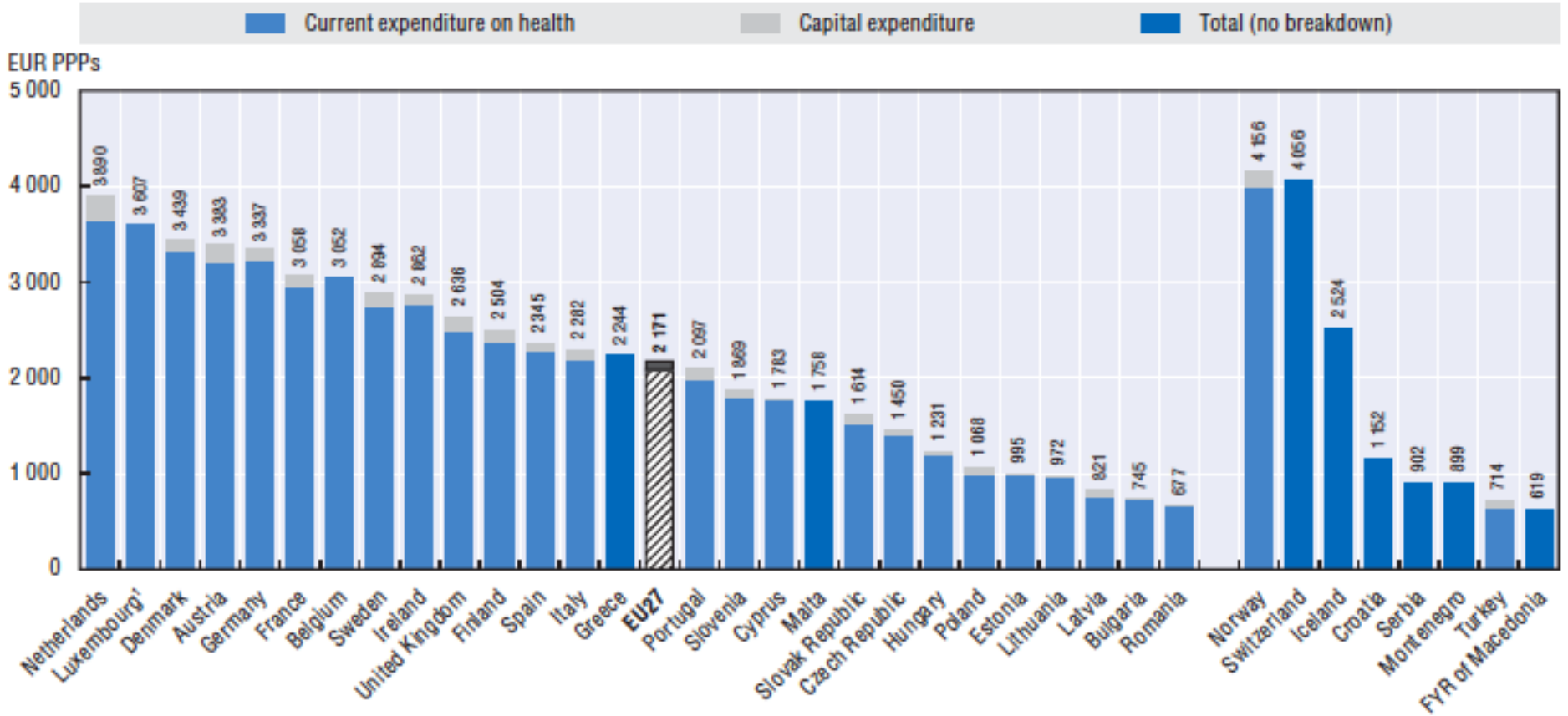
independent variable	(1)	(2)
log(GDP)	−0.0254	−0.0225
	(0.0031)	(0.0032)
male secondary and higher schooling	0.0118	0.0098
	(0.0025)	(0.0025)
log(life expectancy)	0.0423	0.0418
	(0.0137)	(0.0139)
log(GDP) *male schooling	−0.0062	−0.0052
	(0.0017)	(0.0017)
log(fertility rate)	−0.0161	−0.0135
	(0.0053)	(0.0053)
government consumption ratio	−0.136	−0.115
	(0.026)	(0.027)
rule-of-law index	0.0293	0.0262
	(0.0054)	(0.0055)
terms-of-trade change	0.137	0.127
	(0.030)	(0.030)
democracy index	0.090*	0.094
	(0.027)	(0.027)
democracy index squared	−0.088	−0.091
	(0.024)	(0.024)
inflation rate	−0.043	−0.039
	(0.008)	(0.008)
Sub Saharan Africa dummy		−0.0042**
		(0.0043)
Latin America dummy		−0.0054
		(0.0032)
East Asia dummy		0.0050
		(0.0041)
R^2	0.58, 0.52, 0.42	0.60, 0.52, 0.47
number of observations	80, 87, 84	80, 84, 87



Sustainability of health care systems – Improved outcome and cost-effectiveness



5.2.1. Health expenditure per capita, 2010 (or nearest year)

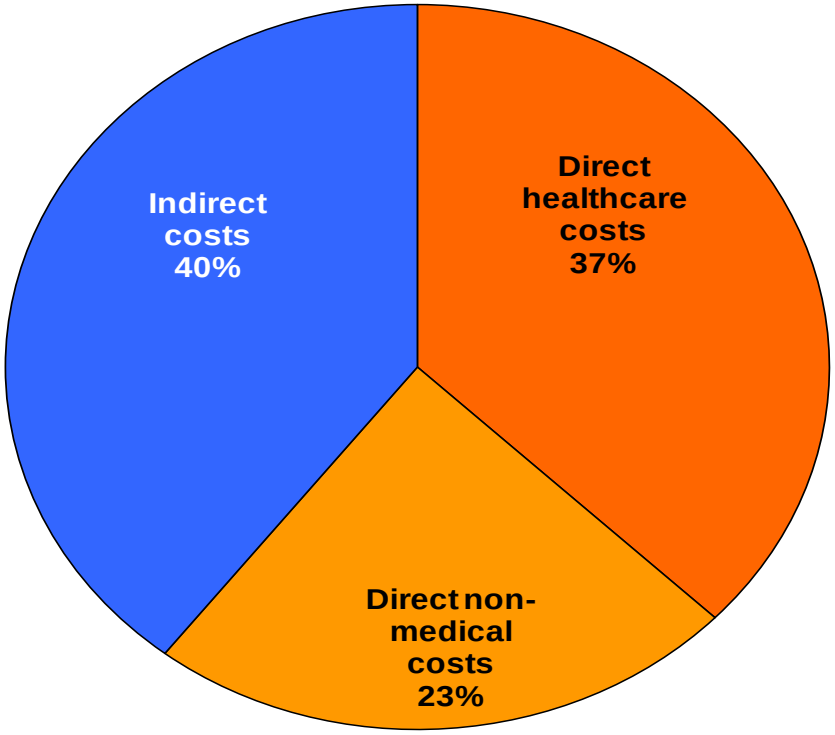


SELMA MUSHKIN (1913-79)
"HEALTH AS AN INVESTMENT" JPE 1962

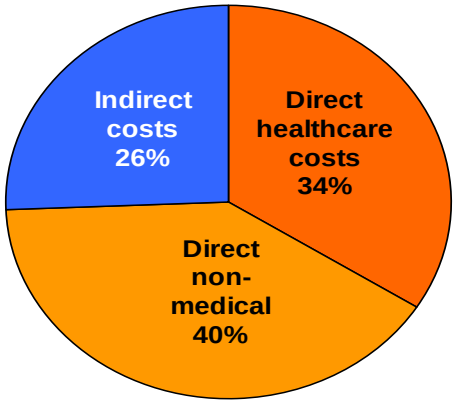
- Investments in improved health has economic benefits from
  - Reductions in premature mortality
  - Reduction in early retirement
  - Reduction in absenteeism
  - Reduction in presenteeism

TOTAL COST OF BRAIN DISORDERS IN EUROPE
EBC 2010 – € 798 BILLION

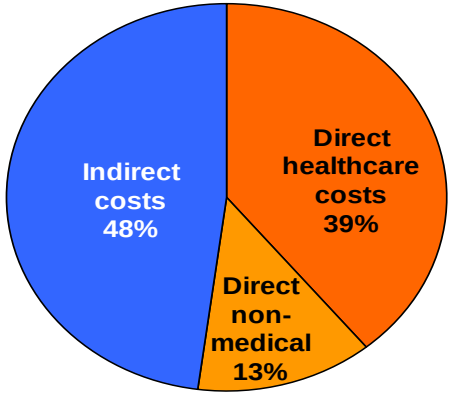
A. Total disorders of the brain



B. Neurological disorders

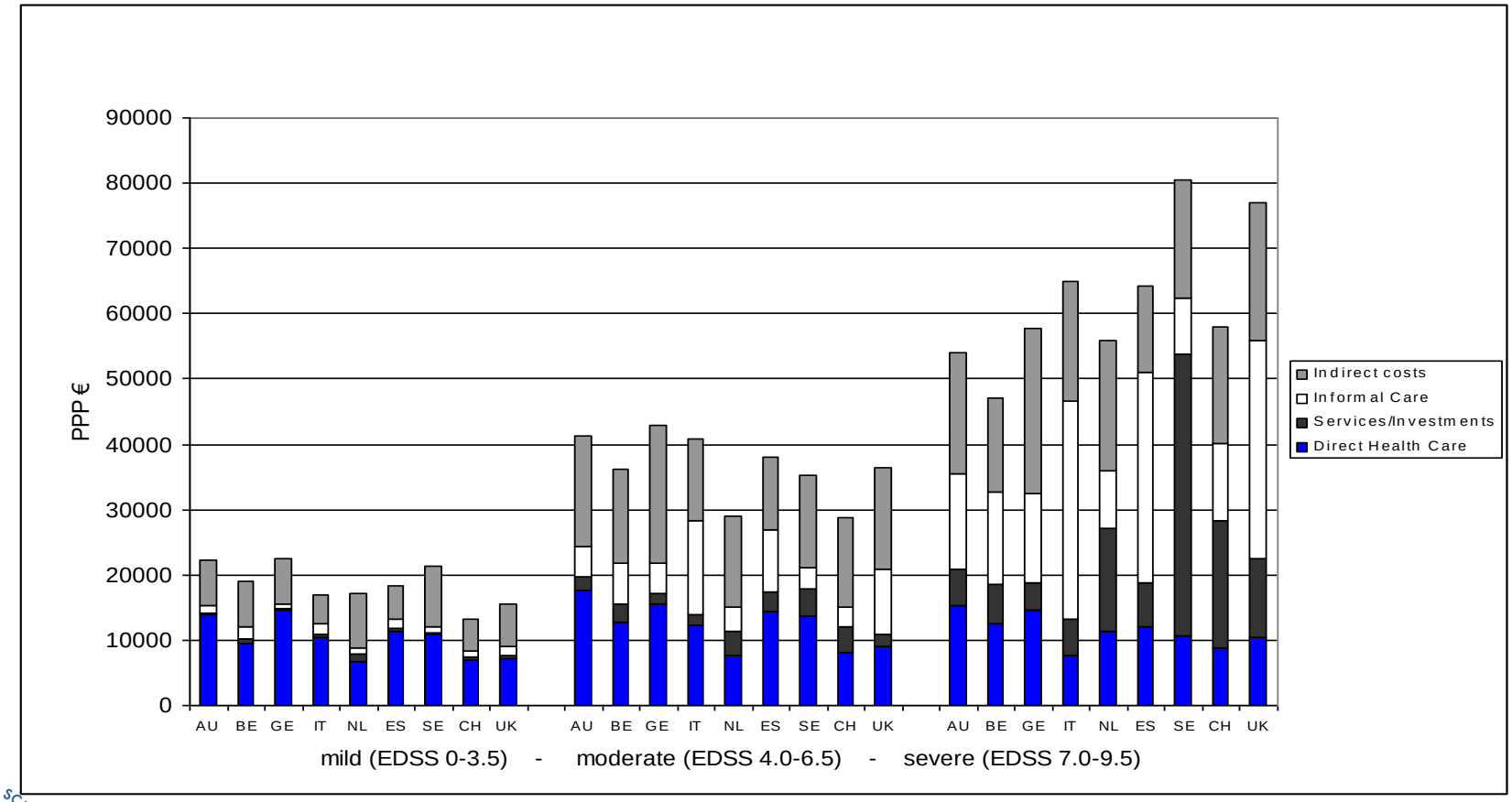


C. Mental disorders

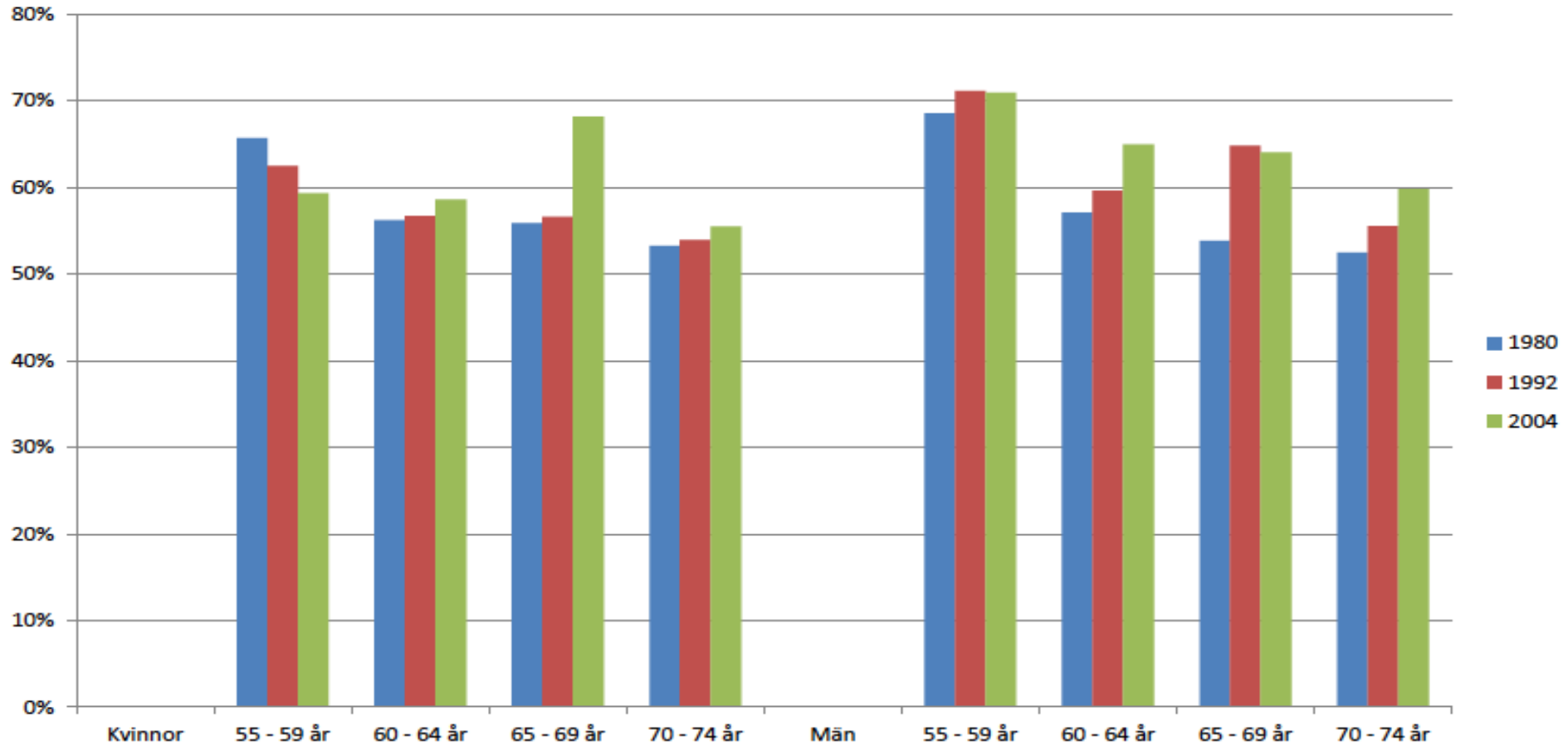


STOCKHOLM SCHOOL OF ECONOMICS

COST INCREASE WITH PROGRESSING DISEASE IN MS (MEAN ANNUAL COST PER PATIENT, PPP€ 2005)



Share of persons without reduced work capacity at different ages 1980, 1990 and 2004 in Sweden



A SOCIETAL PERSPECTIVE FOR ECONOMIC EVALUATION IS THE CLASSIC APPROACH TO ASSESSING THE PROFITABILITY OF SOCIETAL INVESTMENTS.

- This is e.g. the standard approach in the assessment of different environmental, and transport safety programmes affecting health.
- There is no reason why economic evaluation of programmes affecting health in the health care sector should deviate from this standard.
- Adopting a payer instead of a social perspective will create a bias against investments in improved health through health care spending

Arguments for a social perspective
Eur J Health Econ (2009) 10:357-59

Eur J Health Econ
DOI 10.1007/s10198-009-0173-2

EDITORIAL

Ten arguments for a societal perspective in the economic evaluation of medical innovations

Bengt Jönsson

Health expenditures in times of Recsssion

- Investments in health, like eduction and infrastructure should be encouraged in times of low economic activity
- Health expenditures should be contained in times of high economic activity, when opportunity cost of resource use is high.

CONCLUSIONS

- Investments in health for the segments of the population with the poorest health
- Investments outside the health care sector; in healthy life styles and a ”healthy” environment
- Investments for a healthy workforce in the ages 50-70 years. This is particularly with an ageing population and higher retirement ages in most countries.