

# Evolution of Health Economics

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## Description

Health economics is a discipline of economics that studies the efficiency, effectiveness, value, and behavior of health and healthcare producers and consumers. Interactions between individuals, healthcare professionals, and clinical settings are vital in understanding how to enhance health outcomes and lifestyle habits. Health economists look at how healthcare systems work as well as health-related habits including smoking, diabetes, and obesity.

Aristotle, an ancient Greek philosopher, once discussed the relationship between farmers and doctors in terms of production and commerce in the third century BC. William Petty, a British classical economist, pointed out in the 17th century that medical and health expenses paid by workers would result in economic gains.

Modern health economics has evolved into a major multidisciplinary science that bridges the gap between economic theory and health-care practice, with significant diversity in many sub-disciplines and research topics. Few would deny that the United States' academic tradition was the true origin of this knowledge.

Medical and health-care costs rose dramatically after WW-II, owing to rapid advances in medical research technology, the modernization of diagnosis and treatment methods, as well as health-care facilities and equipment, the ageing of the population, the sharp rise in chronic diseases, and the improvement in people's demand for health-care, among other factors. For example, total health expenditures in the United States have continually climbed as a percentage of GDP, reflecting society's rising significance of health care over non-health products and services. Health spending as a percentage of GDP grew from 5.0 to 17.4 percent between 1960 and 2013. The average annual rise in nominal national health expenditures was 9.2 percent over the same period, compared to 6.7 percent for nominal GDP.

During this time, health-care spending in many European countries surged as well, rising from around 4% of GDP in the 1950s to 8% by the end of the 1970s. In terms of growth rate, health-care spending as a percentage of GNP (gross national product) climbed by 1% in the 1950s, 1.5 percent in the 1960s, and 2% in the 1970s in many nations. This enormous medical and health-care

spending was putting a strain on the government, business owners, workers, and families, and it needed to be curtailed.

In addition, the size of the health-care system grew, technical equipment improved, and the division of labor and specialization grew. The medical and health services have evolved into a "healthcare business" that consumes a significant amount of capital and labor and plays a significant role in social and economic life. The study of health-care economic issues has become a popular area in economic research. After the 1960s, health economics study grew even more, and in 1962, a second academic seminar on the subject was organized in the United States, followed by a third in 1968. The World Health Organization's first international health economics seminar was conducted in Moscow in 1968. The holding of the three meetings demonstrated that health economics had entered an academic forum as an autonomous field, marking the subject's official creation.

The health economy underwent a period of tremendous development from the 1970s, and nursing economics emerged gradually. Paul Feldstein, a well-known American health economist, was the first to apply economic ideas to the long-term care market, the registered market, and other nursing economy concerns in 1979, setting the groundwork for nursing economics to arise.

Nursing Economic Magazine was established in the United States in 1983, and its primary research topics were nursing market development, nursing cost accounting, nursing service policies, nursing economic management, and so on. The release of the magazine marked the formalization of nursing economics. The University of Iowa Cost Research Center conducted the NIC System, a comprehensive nursing cost study, in 1993. The procedure involved establishing a dedicated research institution with full-time researchers, sorting out the nursing cost accounting content, and finally selecting 433 things in six categories. Simultaneously, the Center implemented computer technology to manage nursing costs, including cost assessment, budgeting, decision-making, and so on, which played a critical role in increasing nursing management efficiency and alleviating the nursing management crisis.

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