

Supply and Demand Interactions

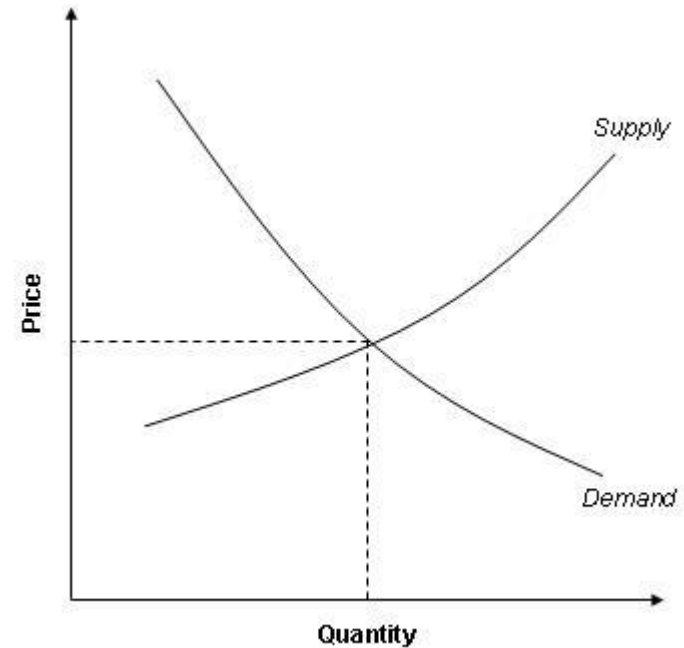
ASSA Health CPD Day
May 2013

Barry Childs

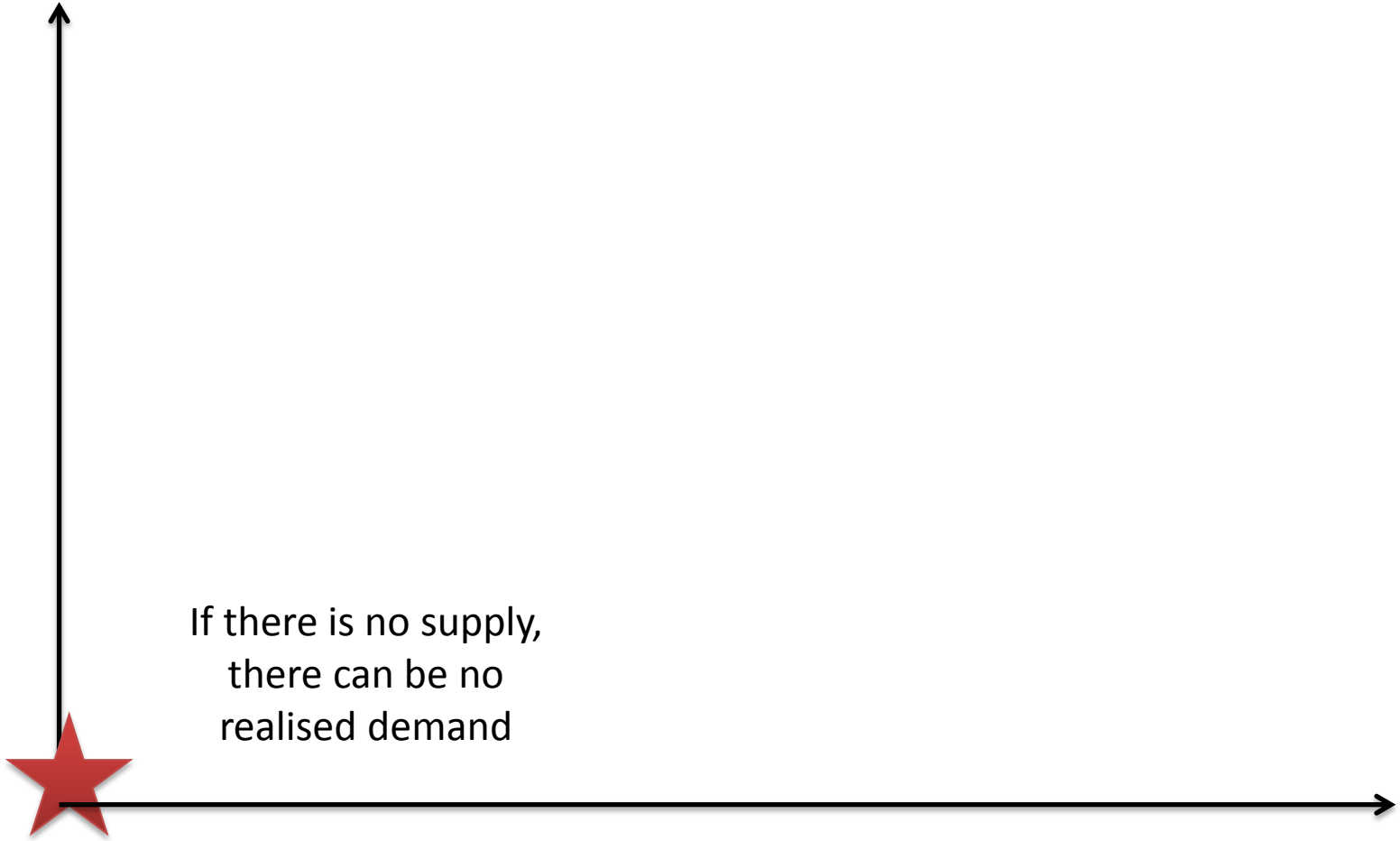
Standard economics considers the relationship between Demand and Supply in a perfect market as a function of price – willing buyer, willing seller at a market price

We know we don't have a perfect market, and that we have constrained supply

But further than that, there are non price based relationships between supply and demand which affect the system, benefit design, rationing and behaviour



Realised
Demand



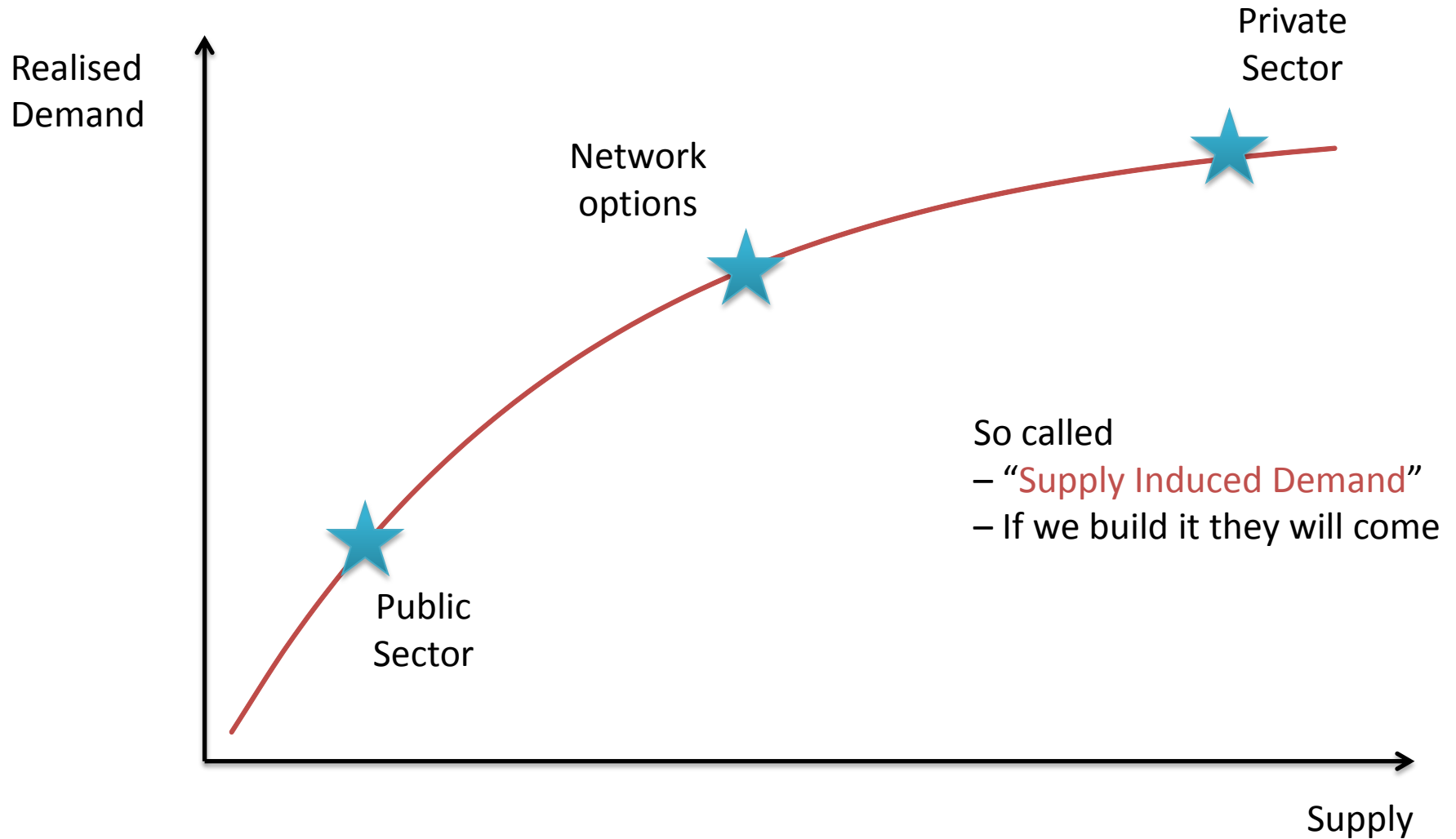
Supply

Realised
Demand

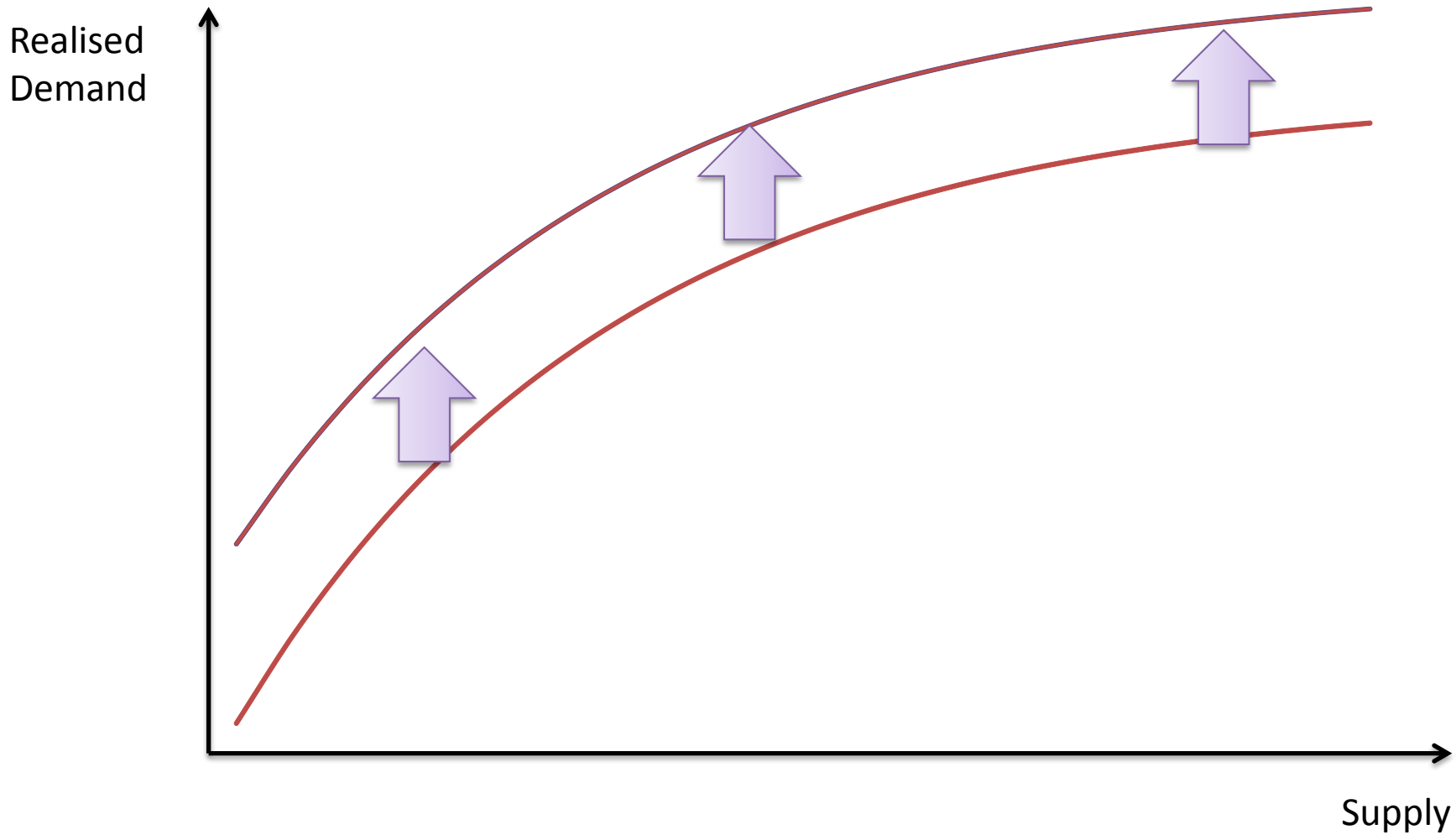
If there is a hospital on
every corner, occupancy
will be very low



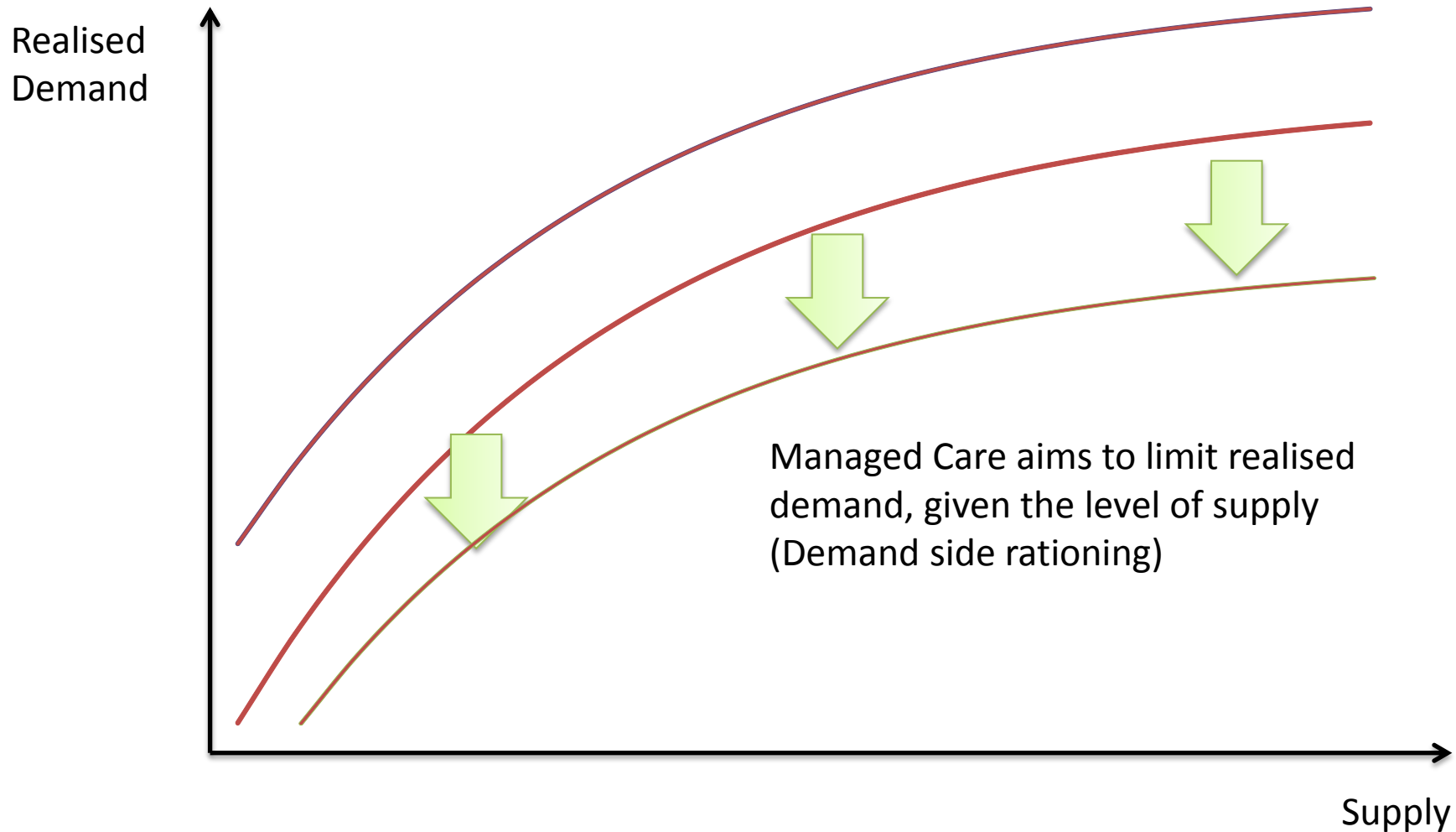
Supply



So called “Supplier Induced Demand”
where utilisation is artificially inflated



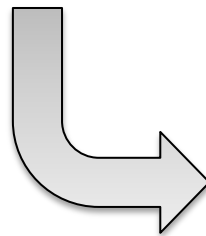
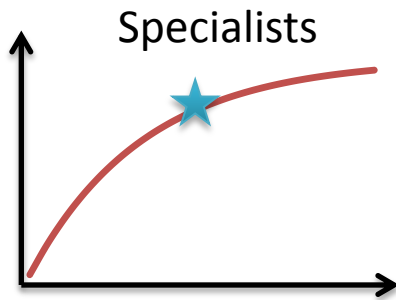
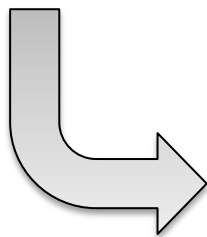
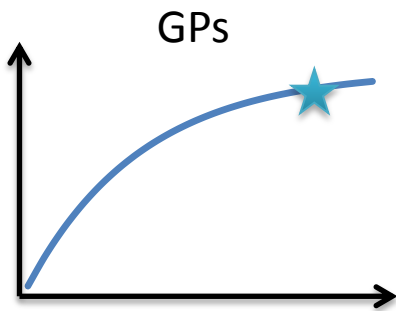
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Managed Care aims to limit realised demand, given the level of supply (Demand side rationing)

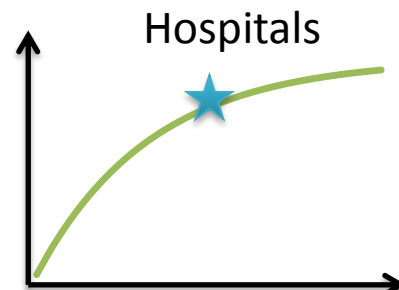
Where are the optimal points?

Supply

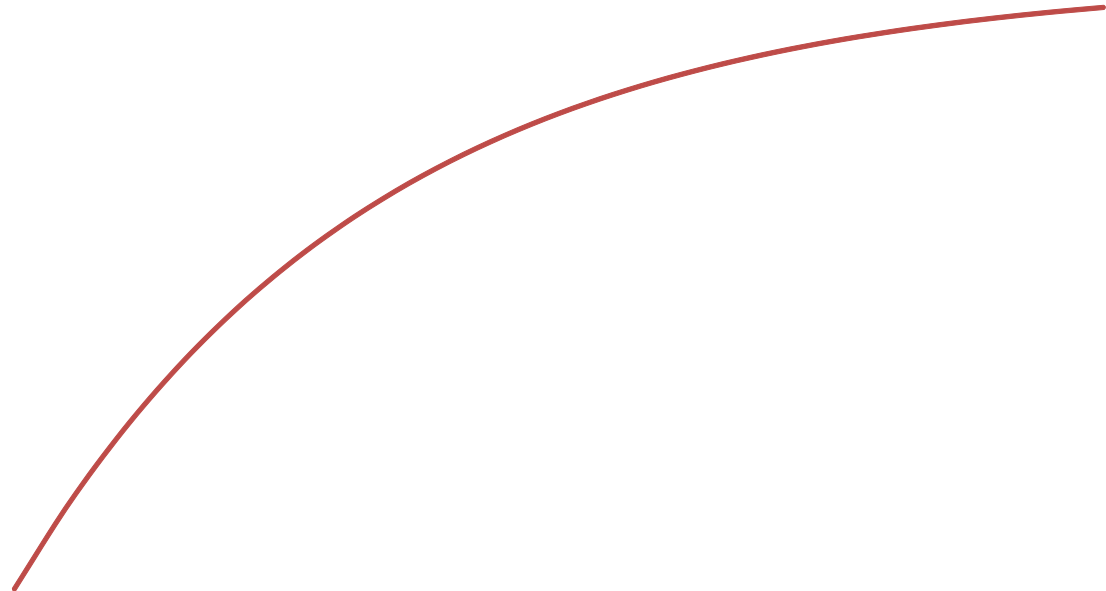


And how are transitions best managed in a demand driven system?

What are the optimal ratios by provider type?



Demand



Supply

Price



Next steps are to factor price into the framework