

# ***The Economic of Healthcare: Comparing Public and Private Healthcare Systems***

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**Abstract:** Healthcare represents a significant aspect of the global economy, and various countries are adopting different models to manage their healthcare systems: the public and private systems. Economic analysis of these systems is therefore essential because these systems determine the quality and availability of healthcare services and influence economic stability and social justice within nations. This paper incorporates comparative UK, US, China, Canada and Switzerland cases to review the economic principles, the business management policies, social perspective of the private and public healthcare systems. The essay introduces the importance of public and private healthcare to the economy followed by the comparison and integrated analysis of the business management and the sociological dimensions of the private and public healthcare systems. The paper recommends policymakers to opt for a fair and harmonised model to ensure quality medical needs of all citizens. This can be possible by adopting regular and formulation of policies to cater for the dynamic needs of the population.

**Keywords:** Private, public, business management, sociological perspective.

## **1. Introduction**

Healthcare is an important part of the world economy as it affects the standard of living of people while at the same time playing a central role in development through employment opportunities and innovations [1]. Public and private healthcare systems each play distinct roles: public systems are characteristically inclusive and are aimed at securing equal access to a large population, while private systems are designed to be efficient, profitable and innovative [2]. To determine the effectiveness and efficacy of these systems, this essay focuses on the basic features of the healthcare systems, both as the businesses and social realities with the incorporation of case studies in different countries: the UK, the USA, China, Canada, and Switzerland.

## **2. Business Management**

Current management practices within the public and private sectors of healthcare institutions have their differences due to the goals and strategic structures of the organisational settings. Governmental healthcare facilities can be cost-effective to offer accessible medical services for all citizens, emphasising the value of the population's health over the money they generate. On the other hand,

private healthcare systems are mainly motivated by financial gains with concerns for productivity, creativity, and consumer satisfaction [2]. These differences are evident in various business management trends such as financial results, revenue generation, cost control and the strategic view towards the market and competitors.

### **2.1. Comparison of Business Management Practices**

Structurally, most of the public healthcare systems are highly centralised, where the goals are usually compliance with statutory requirements and fairness in the distribution of resources. For instance, the UK's National Health Service (NHS) can be described as having centralised decision-making focusing on equal access to health care for all citizens [1]. On the other hand, private healthcare entities in the UK and other countries are much more liberated to respond to the shifts in the market and patients' expectations [3]. In the USA, for example, where the system is more of the private sector, the management practices are based more on financial returns and new inventions. Managing healthcare organisations involve the formulation of appropriate strategies to achieve effective organisational management. Healthcare organisations have embraced efficiencies that compete in the market [4]. This is in contrast to what can be observed in public healthcare systems, whereby transitional changes may take longer due to the collapse of the required finances and social responsibilities.

### **2.2. Healthcare as a Business Entity**

Private healthcare structures operationalise healthcare as a business organisation, thus making healthcare a business venture [5]. These organisations are professional in their financial management system, including revenue cycle management and performance incentives for the workforce [3]. Financing in private healthcare is diverse from patients' charges, insurance compensations, and government grants, which makes these systems financially sustainable and flexible [6]. On the other hand, public healthcare organisations depend mostly on government grants and thus may, at times, struggle financially, especially given the state of the economy [7]. For instance, Canada's tax-based public system of healthcare faces challenges in how to offer healthcare to everyone despite the fact that it has scarce resources available to it [8]. This dependence on public funds leads to measures to contain costs, necessary and inevitable, but which have effects on service delivery and organisational innovation.

### **2.3. Financial Performance and Cost Management**

Effective cost containment is, therefore, a major factor in healthcare systems in both the public and private health sectors, although the strategy may vary somewhat. Privately owned healthcare organisations aim to operate in a way that minimises waste and focuses on automating processes, outsourcing services that are not directly related to the business, and using information technology to support the healthcare organisation's functioning [9]. Such practices help increase the profitability of the practice while at the same time promoting better patient care because of the efficient use of resources. Some of the aims of public health care systems include cost containment but other important aims are to do with equity or equal access. This may hamper their capacity to adopt draconian measures of cutting costs [10]. For instance, as mentioned in the case of China, state healthcare systems have standardised Clinical Procurement and pricing policies to control healthcare costs while keeping the prices affordable for the populace without compromising on the quality of the health services [11]. However, these measures can sometimes cause difficulties in finding resources to work on and longer waiting times.

## **2.4. Market Dynamics, and Innovation**

Private health care has significant relations with market and competition since the market determines the price of the products that are offered. The pressure of patients' capturing and maintaining results in the private systems provide constant search and utilisation of innovative approaches, technologies, services, or service quality [4]. It is, therefore, important to consider innovation as a way of enhancing care as well as a need for survival in the competitive healthcare market, as indicated by [9]. Even though competition is not the driving factor in public healthcare systems, these systems are also implementing innovations to enhance service delivery and effectiveness [10]. For instance, the UK's NHS has adopted various electronic health promotion programs such as electronic patient records and telemedicine that help in care organisation and decrease costs. However, in the case of public organisations, there is a slow pace of innovativeness due to such matters as the budget and regulations.

## **3. Sociological Perspective**

The access, fairness and social consequences of public and personal health tag the sociological point of view in the healthcare delivery system. These aspects are very relevant in assessing the impact of diverse healthcare policies on different demographic populations, high-risk populations, and overall population health [8].

### **3.1. Comparison of Healthcare Accessibility and Equity**

Public health care organisations operate under the principles of the provision of care for all citizens with no discrimination based on social status. For example, the UK's National Health Service (NHS) provides health services to everyone without charge while also making sure that even the disadvantaged groups obtain the care that they need [1]. In the same way, Canada's public healthcare also works to erase any barriers related to finance in accessing healthcare in a bid to ensure equality for all the population stratum.

However, systems of private health care delivery produce elements of inequality in the accessibility of the services due to the ability of the individual to pay. These systems provide better services and faster response than the public health systems but end up benefiting individuals willing to pay for them [7]. For instance, whereas in the United States, the health sector is predominantly private, the availability of health care services is directly linked to insurance and individual income, which in turn creates large gaps in the people's access to health care and results [4]. In Switzerland, pre-paid health insurance coverage makes sure that any person has access to basic health care providers, whereas other additional private insurance providers see to it that they ensure quality rather than equal health care services for all.

### **3.2. Impact on Different Socioeconomic Groups**

The effect that a healthcare system has on each of the socio-demographic factors also differs depending on the public or private setting. Usually, public systems are introduced with an approach to reducing inequality by offering protection to the poor economically [8]. For example, China has achieved progress in public healthcare with reforms mainly attending to afford the Chinese the right to health while focusing on the rural areas since it is a known fact that they suffer elevated levels of socioeconomic disparities [12]. Such reforms have entailed enhancements in the heterogeneous reimbursements for healthcare expenditure of low-income demographic segments and the strengthening of the health industry in rural territories.

Healthcare systems that are privatised, on the other hand, tend to widen existing gaps between the haves and have-nots. For instance, in the United States, the wealthy will access good health care

through insurance coverage, while the low-income population will struggle through high and direct costs and restricted access to the services [10]. Israel and Spain provide two examples of the issues and advantages associated with public-private mixes in healthcare. In Israel, while private insurance added to public Health usually enhances service delivery, patient options and organisational performance, but also amplifies social injustice because affluent persons receive better and quicker care [10]. Spain, on the other hand, has managed to put measures to incorporate private health facilities into the health system, which has minimised some disparities that still exist.

### **3.3. Patient Satisfaction, Trust, and Social Impact**

Patient satisfaction and Patient trust are indices that determine the success of any healthcare system in any nation. Public systems usually allow easy access and relatively cheap service, which results in a high degree of trust, provided the country has good infrastructure for public healthcare, such as in the UK and Canada [1]. However, challenges like longer waiting times and imbalance of resources can sometimes reduce patient satisfaction in these systems.

On the other hand, private healthcare systems are known to deliver better quality services, but their services do not receive much credit among the low-income population, attributed to high costs and perceived unfairness. For instance, in the United States, patient satisfaction in private health facilities is high, especially regarding the service quality and centred attention on the patient as an individual, but this is still with low accessibility, especially among the less fortunate [3]. In the absence of reasonable insurance, they rated their level of satisfaction and trust lower, resulting in social inequality.

## **4. Integrative Analysis and Recommendations**

A comparison between developing nation's private systems and public systems also indicates that private systems are more efficient, innovative, and patient-satisfaction-focused, but they are more limited in terms of equity and provision of care for different strata of society than public systems [6]. Private systems yield improvements in healthcare delivery owing to a business-like approach, but these systems make inequitable distribution of service, especially for the underprivileged [13]. In contrast, public systems which share equity as one of their major characteristics, may have problems with their inefficiency and the slow rate of technology incorporation.

Policymakers could choose a more mixed market option whereby nationalised healthcare providers meet the fundamental medical needs of all citizens and let private providers charge and subsequently provide secondary and tertiary healthcare and additional commercial services [7]. This approach could help guarantee the provision of basic healthcare across the population whilst at the same time preserving the climate for innovation and competition in the healthcare area [14]. Moreover, future policies' continuity must consider and enhance the health system's resilience through the flexibility to change and evolve in response to demography, economics and technology.

## **5. Conclusion**

The public and private healthcare systems discussed in this paper raise the issue of balance between efficiency and equity consideration. A major advantage of the private systems is the ability to provide innovative and high-quality services, but the private systems are known to worsen inequities due to the exclusive focus on patients who can afford to pay for their treatment. On the other hand, in the public systems, the access is wide, and everyone gets the products and services needed, therefore increasing equity, but they are mostly inefficient and do not encourage innovation as those in the private systems. Therefore, there could be a more harmonised and fair approach, which includes the best features of both systems. Policy relevance, therefore, requires that in the formulation of policies,

ongoing and regular review and update processes are developed to accommodate the changing needs of the populations to be served to enhance sustainable health policies.

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