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The Many Faces of Supplier Induced Demand in Health Care

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Abstract

Health economists look towards health care sector as a market whereby there is a distinct demand and supply phenomenon exists. Dearth of regulation of the doctors' practices lead to inappropriate and unjustifiable demand for health care among the patients. In developing and under-developed countries, this adverse practice may push a poor family into a vicious circle of poverty and illness, especially where out of pocket expenditure on health is too high. Unnecessary prescriptions, prolonged treatments and unjustified user fee grossly deprive the patient's family financially. In developed countries, the flourishing health care technology and sophisticated laboratory diagnostics could incur significant expenditure which is sometimes even not covered under the insurance. State is the custodian of health care in any country; therefore, vigilant regulation of the health care providers may curb the supplier induced demand through strict laws and policies.

Keywords: *Supplier induced demand, Health care, Developing countries, Pakistan*

Introduction

The health sector all over the world has changed to a great deal; whereby doctors have taken the role of service providers, and patients have become clients. This change in the dynamics of the relationship has transformed the health care into a market scenario. The health economists, therefore, distinguish this relationship in terms of demand and supply of health care. At times, this demand for health care is termed as "supplier induced demand". This is considered as an example of a bad relationship if this is not based on mutual trust and care. The flaws within this relationship rest in unequal information to the patients about a particular service and also in artificial creation of circumstances for patients to utilize more health services (1).

Does doctor-patient relationship affect the health of the patients?

The doctors in developing countries are in very scarce number either due to underproduction or because a lager number of medical graduates emigrating to wealthier countries (2). In this situation, any doctor or a medical organization can induce demand for care and impose a great deal of financial burden on patients (3). Patients in developing countries suffer from lack of access to information due to meager literacy level and therefore, they are at the mercy of the doctors. In the health care market, it is the health care provider who assesses the patients' problems and needs, and then decides the type and extent of the care required. The supplier induced demand not only pushes the poor patient into abject poverty but also into a persistently unwell state of health. This becomes even worse in a health care system where most people pay out of pocket (OOP) for a considerable proportion of the health expenditures; even in developing economies like Sri Lanka and China, OOP expenditure is quite cumbersome. Therefore, these patients become economically deprived due to disease and the menace of supplier induced demand and this vicious cycle goes on only to leave the patients unhealthier than before (4).

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Table 1: A comparative presentation of the state of poverty and out of pocket expenditure on health in developing countries in South & South East Asia

Country	Poverty proportion below $2 (%)	OOP expenditure on health (%)
Pakistan	73.6	98
Bangladesh	82.8	85.8
India	79.9	97
Nepal	68.5	92.2
Indonesia	52.4	74.7
Sri Lanka	41.6	88.9
China	46.7	87.6

Source: World Bank (2007). World Development Report 2007. Development & the next generation. Washington DC; World Health Organization (2006). World Health Report 2006. Working together for health. Geneva.

Different modes of the Supplier Induced Demand

It is hypothesized that variations in treatment charges are observed to a larger extent because of differences among physicians in their diagnosis of patients or in their belief in the value of the procedures for meeting the patient's needs. This is how treatment to be prescribed is determined. Other factors such as the professional uncertainty, payment systems, physician density and the market competition are also involved that do not value patient's needs and affordability (5).

Yet another form of supplier induced demand can be seen in the form of prolongation of the treatment time by the physicians. Many physicians are adept at this nowadays because of the fact that the patients have become relatively more conscious about their health and they usually do not question a doctor's decision to prescribe a lengthy mode of treatment. Many physicians take too long to treat a simple disease which could have been treated in a time far less than taken. Some tell their patients false justifications for prolonging the treatment, even though it would not have been required. Also with the flourishing private hospitals, which often do not follow the standard protocols and guidelines, private physicians have developed a habit of admitting patients unnecessarily; who could have been managed as outpatients and discharged and given treatment to take at home are kept in hospitals for very long time. This worse form of the supplier induced demand leads not only to deprive the patients financially but also exposes them to unwanted yet mostly unhygienic hospital environment and puts them on risk to hospital acquired infections (6, 7).

Another point of view, to explain the supply induced demand, given by one research study states that the ethical behavior is very much interrelated with it. The doctor-patient relationship disharmony is created not only by the unequal sharing of the potential information but also because of the unequal decisions and judgments made with regard to the uncertainty. Furthermore the shift of demand due to increased supply of doctors takes place as the market has its dynamism towards doctor's behavior as they are more informed than the patients. Similarly health care markets in poor countries are always influenced by the supplier (the physicians) and it gives a more favorable market place environment for supplier induced demand to happen. The physician's monopoly prevails in this regard (8). Even in a system, where health insurance is the mode of fee-for-service; the supplier induced demand is highly prevalent and patients abide by any kind of treatment offered by a health care organization which receives its payments from the insurance companies. This has led to high burden on the overall health care system of those countries. This, however, has changed the models of the health insurance policies (9, 10).

Conclusion

It is difficult to interpret the forces promoting the supplier induced demand. There are many factors involved in this aspect of market dis-

harmony. In the developed countries, it is the booming technology and hi-tech treatment options adopted by the doctors; whereas in the developing countries, it is the dearth of qualified professional which has led to the exploitation of the patients by the lesser qualified and unregulated scores of physicians. Majority of the people in developing world bear almost all expenses on health care out of pocket for their health care; mostly paid to private providers. This expenditure when entails treatment for chronic illnesses; leads to depletion of household income that is allocated for food and clothing. The patients and the relatives have their due right to be informed about the diagnosis and various modes of treatments. Patients and the near relatives need to be taken on board in the process of decision making. Nevertheless, a far reaching goal would be to educate the lay-men about their health problems. There is a need that the knowledge gap between the physician and patient is reduced and the patients be empowered to make choices and decisions for their treatment. At the same time, it would be highly enviable to control and regulate the menace of supplier induced demand particularly in developing countries by strict government law enforcement. This will not only save the poor people from being exploited on their meager incomes but will also provide them appropriate quality health care.

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