

COMMUNICATING THE ECONOMICS OF SOCIAL DETERMINANTS OF HEALTH AND HEALTH INEQUALITIES



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Background

The strong links between socio-economic factors or public policies and health were documented in the World Health Organization (WHO) Commission on Social Determinants of Health report. Yet even when health and health equity are seen as important markers of development, expressing the benefits of social determinants of health interventions in health and health equity terms alone is not always sufficiently persuasive in policy settings where health is not a priority, or when trade-offs exist between health and other public policy objectives.

Previous research has shown that increased attention to policies across sectors that improve health and health equity requires better preparation with regard to knowledge on the economic rationales for interventions, and how intersectoral policies are developed and implemented. In 2012, the World Health Assembly passed resolution 65.8, which endorsed the Rio Political Declaration on Social Determinants of Health and emphasized the need for “delivering equitable economic growth through resolute action on social determinants of health across all sectors and at all levels”.





The Economics of Social Determinants of Health project

Improving understanding of economic rationales for intersectoral policy and programme interventions is therefore an important component of work for countries implementing social determinants of health recommendations. For this reason, WHO launched the Economics of Social Determinants of Health project to describe and discuss the potential for economic rationales to make the case for social determinants of health interventions, and to summarize economic evidence in key public policy areas.

The Economics of Social Determinants of Health project resulted in the publication of a resource book on *The economics of social determinants of health and health inequalities*. This booklet has been prepared as an executive summary of the key points from the resource book. As with the resource book, this booklet has the following main objectives:

- to provide an overview and introduction into how economists would approach the assessment of the economic motivation to invest in the social determinants of health;
- to illustrate the extent to which an economic argument can be made in favour of investment in three major social determinants of health areas: education, social protection, and urban development, housing and transport infrastructure (for brevity, urban development and infrastructure); and
- to outline areas for future needed research.





How do economists approach the assessment of economic motivation?

There are two fundamental components of the economic argument:

- **Establishing the basic rationale for public policy intervention.** Establishing the basic rationale for public policy intervention is needed because to economists public intervention is typically only an afterthought that applies if – and only if – the market fails to “work well” in delivering satisfactory outcomes on average (the efficiency-based rationale) or in terms of the distribution of the outcomes (the equity-based rationale).
- **Assessing whether the intervention represents good “value for money”.** In order to mobilize investment in social determinants of health interventions, there is a need to establish the value for money of those interventions. However, the value for money of social determinants of health interventions may not be apparent, for several reasons:
 - > health impacts may not be fully (or at all) recognized in cost–benefit analyses;
 - > where compelling evidence of the benefits of social determinants of health interventions does exist, policy-makers in both the health sector and other sectors may not be aware of it; and
 - > this lack of knowledge may prevent public health advocates from pointing out positive practices in other sectors or from recommending policy health lenses or audits.

Knowing the benefits of particular policy interventions will therefore help the health sector to lend support to policies in other sectors that strengthen the determinants of health. To this end, exchange of knowledge and disciplinary openness is part of the growing practice of Health in All Policies and can help to establish or cement clear synergies between policies where they exist, or reveal tensions where they do not.



Economic arguments for investment in the social determinants of health

Basic economic rationales

To the economist, social determinants of health interventions can be justified both on efficiency and equity grounds. Traditional welfare economics makes a conceptual distinction between the two, but recent thinking and evidence is forging a closer, synergistic link between them. Government interventions on social determinants of health may be justified from an efficiency perspective in instances of “market failure”, when the free market fails to allocate resources efficiently, for example due to imperfect information, existence of externalities, provision of public goods or non-rational behaviour. All of these elements of market failure are of relevance to the social determinants of health.

Behavioural economics indicates that people frequently experience bounded rationality. As a consequence, they are likely to underinvest in education and make late entries to welfare programmes, including the utilization of health care. These behaviours generate costs for society that can potentially be avoided through specific interventions.

At the same time, achieving the goal of equity is considered an important economic justification for public policy, even though it is harder to operationalize and more value laden than the efficiency rationale. Equity refers to a distribution of outcomes that is based on some notion or principle of justice. Equity does not necessarily and naturally improve as overall outcomes do, hence the potential need and justification for public intervention.

A concept of justice that is currently widely accepted among economists (and beyond) is that of substantive equality of opportunity – the idea that individuals should have the same opportunity to achieve outcomes such as high income or a long

life, but do not necessarily need to achieve the same outcomes due to freedom of choice. Recent economic thinking and evidence is forging a closer, synergistic link between efficiency and equity. The idea of a trade-off between equality and efficiency is likely to have been overemphasized. In reality, neoclassical economics indicates that redistribution does have a price, but sometimes this price is worth paying. If there is a political decision to pay the price, neoclassical economists will (understandably) want to find the least costly strategy to reach that goal. The income distribution obtained through the workings of the market might not be the one that maximizes social welfare. In other words, the social preference for equity might be different to the one produced by the market.



Macroeconomics and equity and efficiency trade-offs or win-wins

At the macroeconomic level, the traditional economic view emphasized the potential beneficial effects of income inequality on savings, investments and incentives. New evidence suggests that income inequality can be damaging for economic growth. Over the long term, the trade-off between efficiency and equality may not exist.

Society's preference for equity might be different to the one produced by the market.

Regardless of the economic implications of this debate, in more than a few cases (e.g. early child development) efficiency and equity have been shown to have the potential to mutually enhance each other. There are efficient policies that can lead to equitable outcomes and policies or interventions based on equity arguments that lead to increased efficiency. This effect is known as the “double dividend”.

Value for money

As mentioned above, there is a need to establish the value for money of social determinants of health interventions. This is particularly important where policies and practices in other sectors are not aligned with positive impacts on determinants of health and there may be arguments against this alignment. Economic evaluation evidence does exist for social determinants of health interventions, but comes in very different shapes and sizes. However, most cost–benefit studies in policy areas related to the social determinants of health fail to capture the health effects. Hence, there is a need to consider those effects (and provide credible evidence for them), as they may alter the prioritization decisions that would otherwise be based on understated returns of investment. While this sounds straightforward, it encounters a number of challenges in practice, in particular when it comes to:

Economic burden studies are useful to highlight the importance of health inequality as a policy problem; they cannot help to make the case for particular policy solutions.

- attribution of the changes in health outcomes to the intervention;
- valuation of the potentially multifaceted benefits of the intervention; and
- incorporation of distributional effects into the economic evaluation.



Box 1. Economic evaluation studies answer questions relative to specific actions

Imagine you are addressing a minister responsible for a large public sector budget. You want to persuade the minister to take a specific action to tackle health inequality. Imagine, further, that the action will require additional expenditure from the minister's budget over the next few years. You want to make three arguments:

1. The action will reduce health inequality.
2. The action will improve overall health and well-being.
3. The action will save money and reduce public expenditure.

Question: What evidence can help to make any of these arguments?

Answers:

Argument 1 requires effectiveness evidence about the impact of the action on the health of different social groups. Information about the size and importance of the health inequality problem is not enough – the minister wants to know how this specific action will influence health inequality.

Argument 2 requires cost–effectiveness analysis or cost–benefit analysis evidence about the net impact of the action on overall health and well-being – that is, the overall benefit minus the overall opportunity cost in terms of how the minister's budget could have otherwise been spent.

Argument 3 requires evidence about how this specific action will save money and reduce public expenditure. Evidence that health inequality in general imposes high costs on public budgets is not enough. The minister wants to know what impact this specific action will have on public budgets – and, in particular, on the minister's own budget.

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