

Practical Class 14

Public Health Planning, Economy, and Marketing

Conspectus topic (52)

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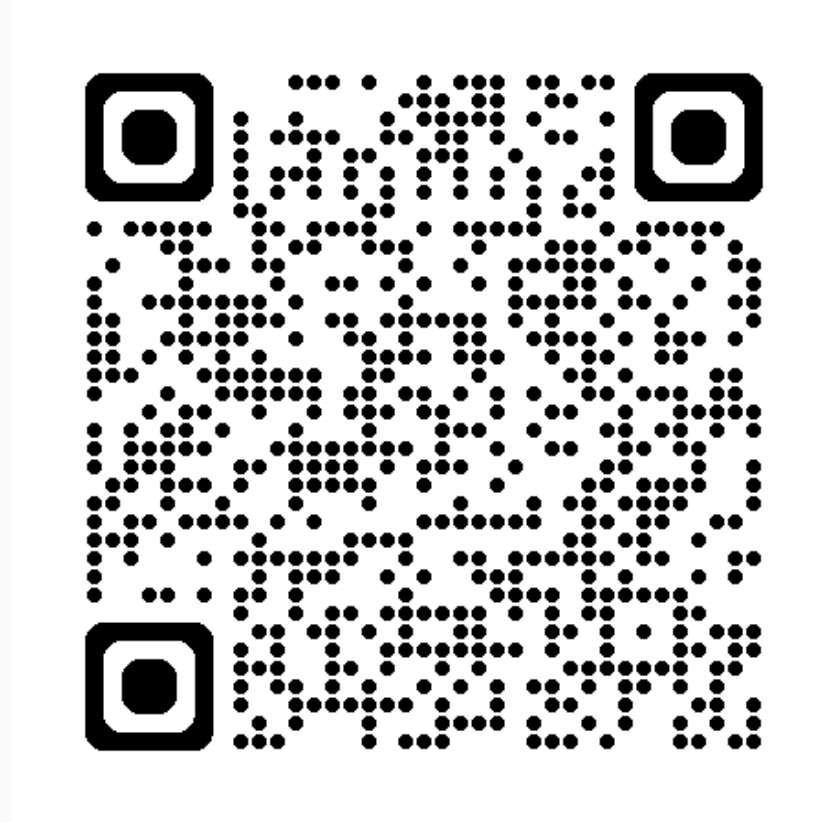
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Department of “Social Medicine and Public Health”



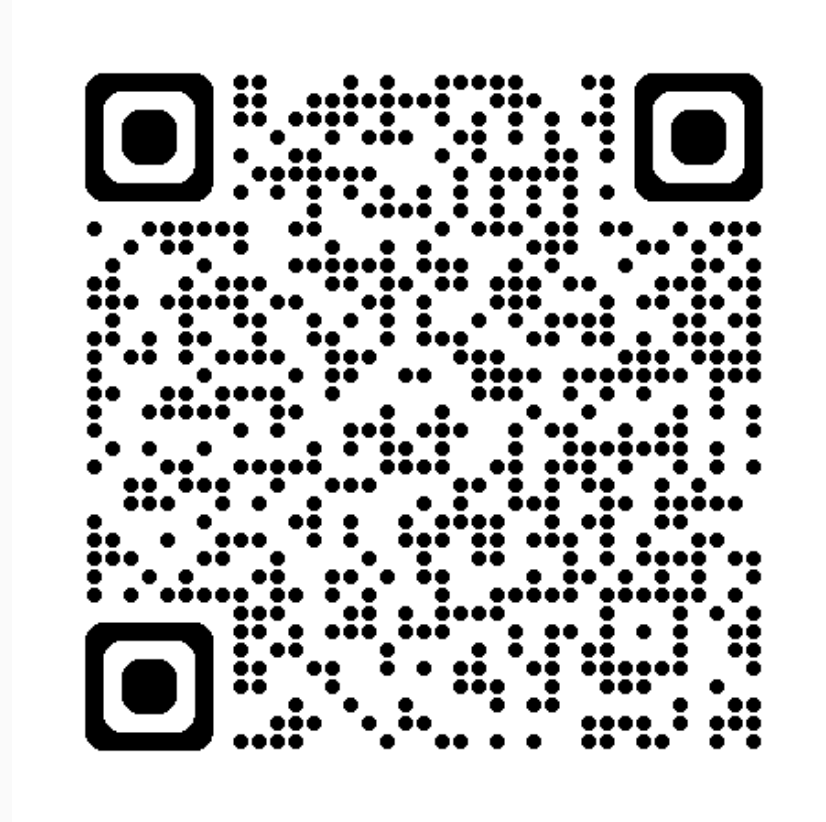
download the presentation from <https://tinyurl.com/social-med-class-14>

15-minutes reading assignment



<https://kostadinoff.github.io/learning.html>

Group tasks



<https://kostadinoff.github.io/tasks.html>

Outline

1. Strategic Planning in Public Health
2. Health Economics
3. Marketing in Healthcare

Strategic Planning in Public Health

Strategic Management in Healthcare (52)

Strategic management — a comprehensive philosophy of organisational governance integrating planning, implementation, and evaluation.

- Rooted in Greek military terminology: **strategos** — “general of the army”
- Concerns the deployment of resources toward defined organisational goals

Three foundational cognitive processes:

- **Strategic thinking** — orientation in the external environment, data analysis, generation of innovative ideas
- **Strategic planning** — algorithmic construction of steps to execute the organisation’s mission
- **Implementation** — consecutive managerial actions that achieve strategic goals

The Knowledge Base of Strategic Management (52)

Duncan and colleagues identified five critical knowledge areas:

| Area | Content |
|----------------------|---|
| Generalised evidence | Controls contextual variability; tests hypotheses systematically |
| Specific contexts | Social, physical, and cultural characteristics of individual institutions |
| System evaluation | Assessment of change effects through rigorous research methods |
| Change plan | Methods linking evidence to specific organisational contexts |
| Implementation | Availability of strategic, operational, and human resources |

Health Planning – Definition and Cycle (52)

Health planning – the continuous process of assessing community health problems, identifying unmet needs and available resources, establishing priority objectives, and designing administrative strategies to reach those goals.

The planning cycle:

- Identification and prioritisation of health problems
- Formulation of specific objectives
- Mobilisation of human and material resources
- Operational programming and implementation
- Continuous monitoring
- Evaluation and replanning

Priority-Setting Approaches (52)

Two distinct methodological approaches orient priority-setting in health planning:

- **Epidemiological approach** — directs resources toward conditions generating the greatest mortality, morbidity, or disability, measured through burden-of-disease metrics
- **Social and economic relevance approach** — orients priorities according to broader societal impact: economic productivity, social cohesion, and educational attainment

Neither approach is exclusive; robust planning systems integrate both.

Forward and Backward Planning (52)

| Type | Logic and Application |
|---|---|
| Forward planning | Projects which policies will emerge given existing interests, resources, and institutional capacities — excels at feasibility within political realities |
| Backward planning (normative backcasting) | Defines a desired future state first, then retrospectively identifies the interventions and preconditions required to achieve it — prioritises vision over constraint |

Swain and Duncan: strategic management must ask — which current activities remain viable, which new ones will be required, and which will become obsolete?

Functions of Strategic Management in Healthcare (52)

Strategic management serves multiple organisational functions simultaneously:

- Connects system members through **shared values** and organisational identity
- Provides **clear concepts**, specific goals, and decision-making consistency
- Improves **financial outcomes** and resource utilisation
- **Enhances coordination** across organisational units
- **Stimulates innovation** in response to dynamically changing healthcare environments

The integration of planning and management transforms reactive healthcare delivery into a proactively governed system.

Health Economics

Economics and Health Economics – Definitions (52)

- **Economics** – the social science dedicated to studying choices people make when utilising available resources to satisfy their diverse needs; the science of production, distribution, and consumption of goods within society.
- **Health economics** – applies economic principles and methodologies to problems specifically related to health and healthcare delivery.
- **Primary goal of health economics:** Generate maximum health benefits for the widest possible range of users while operating within budgetary constraints.

Branches of Health Economics (52)

| Branch | Scope |
|-------------------------------------|---|
| Microeconomic health science | Sustainability and profitability of specific public and private healthcare providers; operational behaviour of individual institutions |
| Macroeconomic health science | Aggregate functioning of national healthcare systems; financing mechanisms, subsidisation, structural organisation by specialty and territory, and the relationship between national wealth and population health |

Opportunity Cost (52)

- Central to economic thinking in healthcare is the concept of **opportunity cost**:
- Every choice carries a cost. The true cost of utilising one opportunity is the value of the best alternative foregone.

$$\text{Cost}_{\text{opportunity}} = \text{Value}_{\text{next best alternative}}$$

- Every resource allocated to intervention A is unavailable for intervention B
- This logic underpins all rational resource allocation decisions in public health systems
- Explicit acknowledgement of opportunity cost is a prerequisite for efficient health planning

Distinctive Features of the Healthcare Market (52)

Feature 1 — High differentiation of health products

- Healthcare is characterised by substantial heterogeneity; identical services cannot be repeatedly offered
- Individual patients differ in preferences for treatment type, duration, location, and physician
- Consumers gravitate toward providers best satisfying their preferences → reinforces market positions for some, reduces them for others

Feature 2 — Asymmetric information and moral hazard

- **Moral hazard:** one party engages in high-risk actions knowing it enjoys protection from risk while another bears the financial costs
- Physicians possess substantially greater knowledge than patients → questions of agency, diagnosis accuracy, and treatment appropriateness

Market Structure in Healthcare (52)

Low substitutability between providers → **monopolistic conditions** → **low demand elasticity**

The healthcare market is characterised as **monopolistically competitive**, with **oligopolistic supply in the hospital sector**.

- Few providers operate consistently at high quality levels
- Healthcare providers exert significant influence on **price setting**
- Strong state regulation and administered pricing contribute to decreased social welfare under some configurations

Feature 3 — Enhanced state regulation

- Market imperfections necessitate mandatory state intervention through regulatory mechanisms across every healthcare subsector

Efficiency in Healthcare (52)

Economic thinking in health distinguishes three dimensions of efficiency:

| Dimension | Meaning |
|------------------------------|--|
| Technical efficiency | Maximum health output produced from a given set of inputs |
| Allocative efficiency | Resources invested in interventions generating the greatest health gain per unit of cost |
| Dynamic efficiency | Continuous adaptation of resource allocation in response to technological and epidemiological change |

Increased health expenditure does not automatically translate into superior population health outcomes without robust allocative efficiency and equitable system design.

Health Technology Assessment (52)

Health Technology Assessment (HTA) – a multidisciplinary activity that systematically evaluates:

- Technical characteristics and safety of health technologies
- Clinical effectiveness and efficiency
- Costs and economic value
- Organisational, social, legal, and ethical consequences

HTA is comparative – analysis is always relative to existing or best-available alternatives, providing comprehensive information about alternative health strategies for policy decision-making.

Economic Evaluation Methods (52)

Cost-Effectiveness Analysis (CEA) — measures health outcomes in natural units (e.g., life years gained, cases averted)

$$\text{Value} = \frac{\text{Health Benefits}}{\text{Costs}}$$

Cost-Utility Analysis (CUA) — incorporates quality of life into the outcome measure using **Quality-Adjusted Life Years (QALYs)**

$$\text{QALY} = \sum (\text{Years} \times \text{Quality Weight})$$

The primary outcome is **cost per QALY gained** — enabling comparison across diverse interventions.

CBA and ICER (52)

Cost-Benefit Analysis (CBA) — expresses all outcomes in monetary terms, enabling direct comparison of costs and benefits

Incremental Cost-Effectiveness Ratio (ICER) — used for comparative analysis of incremental changes between two alternative interventions:

$$\text{ICER} = \frac{C_A - C_B}{E_A - E_B}$$

- ICER below a defined threshold → new intervention considered cost-effective
- ICER above threshold → resource allocation to the alternative is preferred

The ICER framework is the standard tool for health technology reimbursement decisions in most European health systems.

Marketing in Healthcare

Healthcare Marketing — Definition and Scope (52)

Marketing — a managerial process responsible for identifying, predicting, and satisfying customer needs within market conditions; a comprehensive set of activities aligning producer resources with market requirements.

In healthcare, marketing operates at the intersection of two problems:

- **Consumer needs** and their satisfaction
- **Provider sustainability** and resource efficiency

The resolution of both operates through **competition** — providing higher quality, desired, and differentiated services compared to competitors.

Managing marketing in healthcare is both an **art and a science** dedicated to selecting target markets and increasing patient value through the creation and delivery of superior health outcomes.

Key Concepts in Healthcare Marketing (52)

| Concept | Content |
|-----------------------------|--|
| Target markets and segments | Segmented primarily by demographic characteristics and disease type; no health product satisfies all patients universally |
| Health needs and demand | The initial stage of any marketing cycle; unlike other sectors, total demand is considered solvent due to third-party payers |
| Health value | Ratio of health benefits to costs; the central metric of healthcare marketing performance |
| Patient satisfaction | Successful health products inherently bring value and satisfaction; satisfaction measurement provides essential feedback |

Health Value (52)

Health value — the quantitative foundation of healthcare marketing:

$$\text{Value} = \frac{\text{Health Benefits}}{\text{Costs}}$$

Managers can increase value through four approaches:

- Increase health benefits while maintaining costs
- Maintain benefits while reducing costs
- Increase benefits more than costs increase
- Reduce benefits **less** than costs are reduced

The fourth approach is rarely acceptable to patients and sees minimal application in practice.

The Marketing Mix — 4Ps + 2Ps (52)

The traditional marketing mix (**4Ps**) is extended in healthcare by two additional parameters:

| P | Healthcare application |
|-----------------------|---|
| Product | Dual nature: intermediate product (procedures performed) and final product (improvement in patient health status) |
| Price | Heavily regulated; influenced by insurance, state, and competitive dynamics |
| Place | Access, geographic distribution, appointment systems, and digital channels |
| Promotion | Communication of health benefits to target populations |
| Politics | Licensing, clinical standards, delegated budgets — shape what can be marketed and how |
| Public opinion | Institutional prestige and societal trust — prerequisites for patient engagement |

Marketing Channels, Relationships, and Networks (52)

- **Marketing channels** — two primary types:
 - ▶ **Communication channel**: conveys messages and receives information from patients and referring physicians
 - ▶ **Sales channel**: facilitates the purchase of health products and transaction completion
- **Relationship marketing** — establishes long-term mutually beneficial relationships between healthcare facilities and patients, staff, suppliers, and stakeholders; builds strong economic, technical, and social connections termed **marketing networks**.
- **Transaction concept** — the exchange of values:
 - ▶ Consumers receive health; pay contributions
 - ▶ Payers receive contributions; pay for health products
 - ▶ Providers receive money; deliver health products

Marketing Activities – Three Types (52)

Managing the marketing cycle involves three coordinated activity types:

| Type | Activities |
|----------------|--|
| Strategic | Market research, segmentation, positioning decisions |
| Tactical | Product development, pricing, promotion campaigns, placement organisation |
| Administrative | Control mechanisms, evaluation of results, improvement of tactics and strategy based on performance data |

Continuous interpersonal relationships with patients based on trust and professional competence form the foundation of successful healthcare marketing.

Competition and the Marketing Environment (52)

- **Competition** — encompasses all existing and potentially competing health products; a critically important issue in healthcare marketing management.
- Competition operates at four levels: **individual, industry, sectoral, and generic.**
- **The marketing environment** divides into two interconnected parts:
 - ▶ **Target environment:** patients, staff, suppliers, and direct stakeholders
 - ▶ **Surrounding environment:** demographic, economic, natural, technological, political, and sociocultural factors

The surrounding environment can strongly influence participants in the target environment, creating both opportunities and vulnerabilities for healthcare marketing efforts.

States of Demand in Healthcare (52)

Healthcare marketing must actively manage complex and variable demand states:

| Demand state | Characteristics |
|--------------------------|---|
| Negative demand | Majority of clients disapprove of or avoid offered services; e.g., vaccinations, psychiatric care, dental maintenance |
| Absent demand | Target markets remain indifferent or unaware; no connection yet established between need and service |
| Latent demand | Significant unmet need exists but services are not sought — characteristic of oncology, cardiology, and disability care |
| Decreasing demand | Utilisation declining due to treatment advances, home care substitution, or changing disease prevalence |

States of Demand in Healthcare – continued (52)

| Demand state | Characteristics and marketing task |
|--------------------|---|
| Unregulated demand | Severe fluctuations by season, weekday, or hour causing overloading or underutilisation; e.g., emergency centres on weekends, paediatric surge at school year transitions |
| Full demand | Capacity precisely matched to demand; marketing task is maintenance – quality monitoring and preparation for future shifts |
| Excessive demand | Demand exceeds service capacity; demarketing – price increases, reduced advertising, restricted access |
| Unhealthy demand | Demand for products harmful to health; antimarketing – counter-advertising, emotional communication emphasising health risks |

Social Marketing vs. Commercial Marketing (52)

| Dimension | Commercial marketing | Social marketing |
|----------------|----------------------------------|--|
| Primary goal | Financial profit | Improve personal welfare and societal health |
| Target outcome | Purchase behaviour | Voluntary behavioural change |
| Examples | Product sales, brand loyalty | Smoking cessation, condom use, oral rehydration therapy |
| Mechanism | Consumer desire and satisfaction | Targeted messages through optimal channels for defined subgroups |

Social marketing applies commercial marketing technologies to influence voluntary behaviours — without the profit motive.

Critical Success Factors in Healthcare Marketing (52)

Several factors determine the effectiveness of healthcare marketing strategies:

- **Trust-based interpersonal relationships** with patients — morality and continuity as foundations
- **Professional competence and prestige** of physicians — a primary driver of patient choice
- **Accessible, low-bureaucracy contact** — healthcare users invariably experience stress when seeking care; barriers amplify that stress
- **Personnel selection** — special qualities required: tolerance, empathy, communicativeness, discretion, self-discipline
- **Standardised behavioural patterns** — consistency across all patient encounters
- **Continuous patient satisfaction monitoring** — essential feedback loop for quality improvement
- **Long-term material incentive policies** — sustained staff motivation underpins service quality

Integration — Planning, Economics, and Marketing (52)

| Domain | Function within the system |
|---------------------------|--|
| Strategic planning | Defines structural vision, objectives, and operational frameworks; orients resources toward population health goals |
| Health economics | Ensures rational, ethical, and efficient distribution of limited resources; evaluates the value of competing interventions |
| Marketing | Ensures that both medical services and preventive behaviours are effectively adopted by target populations |

Together, they form the operational foundation for shifting healthcare systems from reactive disease management toward proactive population health promotion.

Thank you for your attention!