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The effects of contract mechanisms between the government and two private hospitals on the social benefit

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In many healthcare systems where public and private hospitals co-exist, although the price of examination in public hospitals is low in public hospitals, waiting times are high, so the quality level perceived by patients is low. In private hospitals, while waiting times are short and patients receive high-quality service, the examination price is high. A more balanced system can be socially beneficial in such cases, which is possible to achieve through appropriate pricing policies because the price is one of the most important factors affecting the choice of a strategic patient. The prices in private hospitals are defined based on the contract mechanisms between the government and these hospitals, so further studies should be done about the contract mechanisms in healthcare systems. We analyze that in case of several contract mechanisms how a strategic patient makes a choice between the hospitals with different characteristics in the region

and how this affects the social benefit. All hospitals in a region are modeled as two private hospitals near a public hospital. The state that there is not any contract between the government and the private hospitals, the case in which all decisions are made by the government and also the condition that the contract is only offered to one of the private hospitals are analyzed. The models are analytically analyzed. The effects of the models on the social benefit, which is defined as a multi-objective function consisting of the utility of the society and the expenditures of the government, are compared. The lowest social benefit and profit of private hospitals are in the case that there is no contract between the government and private hospitals, which shows the benefits of these mechanisms for the society and also for private hospitals.

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