

Review Notes - The Demand and Supply of Medical Care

- demand for medical care
 - why is demand analysis useful/interesting? (public policy analysis)
 - demand versus need
 - define both and their shortcomings
 - which gives the best analysis for public policy purposes?
 - deriving demand for medical care
 - how do patients gain utility from medical care?
 - graphically deriving a demand curve (know how to do it)
 - how does an illness affect indifference curves and demand?
 - impact of income?
 - aggregate/market demand for MC
 - what is consumer surplus? graphically?
 - what else affects demand for MC?
 - why demand health (why does this matter)?
 - health as a consumption or investment good...implications for demand for MC?
 - impact of patient demand for treatment on demand for MC?
 - incidence of illness, demographics, economic variables
 - make sure you understand the full price of MC.
 - impact of the physician (why does he matter?)
 - what is induced demand? what impact does how the physician is reimbursed have on demand?
 - impact of health insurance?
 - know all the definitions of terms and how each affects D
 - copayment, coinsurance, indemnity ins., deductibles, maximum payment limits, etc.
 - impact of quality?
 - empirical studies (know only generalities like whether demand is elastic/inelastic and what that means.)
 - allocative efficiency (what's that?)
 - impact of the various factors (see above) on the efficiency of the market.
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- supply of medical care
 - deriving the supply curve, firm and market
 - Isoquants/Isocosts – cost minimization
 - Definitions – make sure you know what each is, how it works, especially graphically

- Where is the cost minimizing use of inputs using isoquants/isocosts?
 - Where is the technologically efficient use of inputs?
 - Use of Isoquants/Isocosts in supply of medical care
 - Are inputs like Drs and Nurses substitutable or complementary?
 - Graphical analysis
 - Empirical evidence (what is elasticity of substitution?)
 - Relate isoquant analysis to long-run average cost curve
 - What is the definition of Technological Efficiency?
 - Firm Technological Efficiency
 - Industry Technological Efficiency
 - profit max. firms generally want to minimize costs - why not for medical care firms? Be specific
 - analyze the supply side of the market
 - what is the role of competition in the market?
 - allocative efficiency
 - technological efficiency
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