Review Notes - Overview of the Medical Care Market

- Important, but not unique, aspects of the market
  - government intervention (examples?)
  - uncertainty (who is uncertain and about what?)
  - asymmetric information
    - definition
    - what is the lemon principle?
    - Adverse selection
    - How does consumer information affect prices?
    - If just some consumers are informed, what is the impact on the market?
    - What is the impact of asymmetric information on quality?
    - What factors might reduce problems resulting from asymmetric information?

- externalities
  - define both positive and negative + examples

- Modeling health care
  - why do people demand health (hint: utility)
  - how do you graphically derive a demand for health from utility analysis?

- Production of health
  - what is a production function?
    - Health = f(MC, Educ, Income, ....) - what does this mean?
    - MC = f(physician services, hospital services, ....)
    - least cost production (what does this mean?)
      - marginal productivity
      - costs of inputs
      - impact of these variables on least cost production?
      - how is least cost production related to technological efficiency?
  - life cycle health
    - what does health look like, on average, over the life cycle?
    - what are death rates, age-adjusted death rates?

- life style and health
  - average vs. marginal productivity (which is most important for making policy decisions?)
    - definitions and public policy

- Measurement problems in health care
  - why do we want to measure health, medical care, and prices - public policy?
  - How do we measure them (i.e., options) plus advantages and disadvantages to each method.
  - prices
    - real vs. nominal variables
• how do you construct and interpret/use a price index?
• problems with CPI?

• Over viewing the medical care industry
  ▪ why is the medical care industry so complex?
  ▪ What affects D for MC? What affects S of MC?
    • what is the full price of MC?
    • what role does the physician play in the market?
  ▪ impact of health insurance on the market
    • price, quantity, efficiency?
    • what impacts D&S of insurance?
      • uncertainty, loading, taxes
  ▪ supply & demand framework for the market for MC
    • the role of patients (demand health/treatment...why?)
    • the role of the physician?
    • demand for MC is a derived demand (what's that?)
    • supply of MC comes from where?
    • secondary markets (physician services, hospital services, etc.)
      • where does demand/supply come from?
    • tertiary markets (health manpower and health professional education)
    • how do all these markets inter-relate?
      • know especially what happens to the P & Q of all markets when
        something changes to D/S of one market.
      • moving up/down the hierarchy of markets (which is at the top and which
        at the bottom?)