

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 = $f(\text{MC}, \text{Educ}, \text{Income}, \dots)$ - what does this mean?
 - MC = $f(\text{physician services}, \text{hospital services}, \dots)$
 - 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?)
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