

LESSON PLAN - SECONDARY MARKETS: HOSPITAL SERVICES

- I. Definitions and Trends
 - A. types of hospitals
 - B. trends in types of hospitals
 - C. the hospital organization
 - nonprofit hospitals as an example
 - internal organization
 - management of actual employees of the hospital
 - medical staff - organization of affiliated physicians
 - Who controls the hospital?

- II. Hospital Cost Inflation
 - A. trends in hospital cost inflation
 - The impact of competition on hospital prices
 - B. Hospital cost shifting
 - Why uncompensated care?
 - Model of cost shifting
 - Under what conditions will costs be shifted?

- III. Hospital Performance
 - A. what does hospital performance depend upon?
 - hospital incentives and objectives
 - hospital costs
 - B. hospital costs (economies of scale)
 - why do we care about economies of scale?
 - efficiency issues
 - public policy
 - empirical evidence
 - Survival analysis
 - C. theories of hospital behavior
 - a theory of profit maximization
 - predictions from the theory
 - empirical relevance?
 - a theory of physician control
 - predictions from the theory
 - empirical relevance?
 - a synthesis model
 - assumptions – quality vs. quantity tradeoff
 - competition by the groups (Drs., Hospitals, Patients) to achieve their goals
 - what affects the ability of each group to achieve their goals?
 - effect of quality on demand
 - effect of quality on costs
 - equilibrium price, quality, and quantity
 - utility maximization

- applications of the model
 - what if a competing hospital increases its quality?
 - what if new hospitals enter the market?
 - an increase in insurance coverage?
 - how does the model explain the interaction of Drs. and hospitals?
 - increased profit for the Drs.
 - more patients for the hospitals.

IV. How do hospitals compete?

- A. hospital competition under comprehensive insurance
- B. hospital competition under cost-conscious insurance

V. Why do non-profit medical institutions exist?

A. Theories

- Inefficiencies caused by market failures
 - Externalities
 - Public goods
 - Government Intervention
 - Non-profit intervention
 - Do Health Care markets have public goods?
- Contract Failures
 - Caused by asymmetric information

VI. The Hospital and Labor Markets

A. Demand and Supply of Labor

- derived demand for labor
 - specialized vs. non-specialized labor
 - the impact on wages

B. another view of nursing shortages

- monopsony markets for nurses
- definitions (what is marginal factor cost?)
- does a shortage exist in monopsony markets?