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?