

LESSON PLAN - HEALTH INSURANCE

I. The Demand for Health Insurance

A. definitions

B. an economic theory of the demand for health insurance

- the decision to buy health insurance
 - contingent consumption
 - budget constraints
 - indifference curves
- the expected utility model
 - does the probability of illness matter? How?
 - expected value
 - expected utility
 - expected utility hypothesis
 - risk neutrality
 - risk aversion
 - risk lover
 - predictions from the model?
 - will a risk averse individual insure when the insurance premium exceeds the expected benefits? Depends on:
 - the probability of the loss
 - the magnitude of the loss
 - the level of an individual's aversion to risk
 - the price of insurance
 - empirical evidence of the validity of the model
 - moral hazard in health insurance
 - definition
 - impact of moral hazard on D and the market
 - methods of reducing moral hazard
 - adverse selection
 - definition
 - impact of adverse selection
 - controls for adverse selection

C. additional issues

- the impact of differential health insurance
- the impact of tax advantages on the demand for health insurance

II. The Market for Health Insurance

A. public policy

- technological and allocative efficiency

B. Demand

- market demand
- firm demand
- evaluation of allocative efficiency in the market
 - benefit/premium ratios
- community rating
- the uninsured
- conclusion

- C. Supply
 - economies of scale in the industry?
 - internal technological efficiency of the firms?
 - conclusions

III. The Evolution of Market Competition in Health Care

- A. why did competition evolve now?
 - impetus for competition from
 - federal initiatives
 - private sector initiatives
 - application of anti-trust laws to health care

- B. the nature of the evolving competition
 - methods by which competition has increased includes:
 - increased competition among traditional providers
 - advertising
 - increased competition from non-traditional providers
 - health maintenance organizations
 - advantages
 - disadvantages
 - empirical evidence