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