LESSON PLAN - AN OVERVIEW OF THE MEDICAL CARE MARKET

I. Important (although not unique) aspects of the market for health

- Broad areas of government intervention into the market
- Uncertainty in the health care market
  - by patients
  - by physicians
- Asymmetric information in the health care market
  - What is asymmetric information and why is it important?
  - by patients
  - by physicians
  - Incentives by both physician and patient
  - Why the concern about information asymmetries?
    - The Lemon principle.
    - Adverse selection in health insurance
    - Agency
- Consumer information and prices
- Informed Buyers
- Quality
- Factors which mitigate asymmetric information problems
- Externalities
  - Definition of both positive and negative externalities
  - Examples of externalities in health care
- Measurement problems in health care
  - Medical care output
  - Health
  - The use of prices
    - Real vs. nominal variables
    - Constructing price indexes
  - The Consumer Price Index (CPI) and the Medical Care Price Index (MCPI)
    - Problems
    - Alternatives

I. Modeling health and health care

- Health and utility
- Deriving the demand for health

II. How do we produce health?

- Modeling the production of health
  - Components of medical (Dr. visits, hospital services, etc.) care are all used as inputs to produce medical care
  - Medical care is used as one of the inputs in producing health
- Other inputs in the production of health and their relationship to medical care.
  - Least cost production of health
- technological efficiency
- life cycle health
  - death rates and age adjusted death rates by state
- life style and health
  - negative inputs in the production of health
- average productivity vs. marginal productivity
  - recall the definitions of both
  - applications to health
- Education
  Why does education have a positive impact on health?
    - Self-selection theory
    - Demand theory
    - Empirical evidence
- empirical examples of health production functions

I. Over viewing the medical care industry

- why the medical care industry is so complex
  - markets for health
  - markets for medical care
  - markets for health insurance
- what affects the D for medical care?
- what affects the S of medical care?
- how does health insurance affect the medical care market?
- what affects the D for health insurance?
- what affects the S of health insurance?
- a demand and supply framework for the medical care market
  - patient demand for health
  - patient demand for treatment
  - physician as an agent for the patient
  - the market for medical care
    - derived demand for medical care
    - the supply of medical care
  - secondary markets (the market for institutional care)
    - derived demand for institutional care
    - the supply of institutional care
  - tertiary markets
    - the market for health manpower
    - the market for health professional education
- an example of the inter-relationships