

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