

# Health insurance

## Lecture Plan

1. Introduction: a quick introduction into the US health care system and some recent statistics
2. Insurance demand: drivers of insurance demand (risk aversion, probability and size of loss, wealth effects)
3. Adverse selection 1: selection into health maintenance organizations, aggregate effects, empirical studies of enrollment and disenrollment into HMOs, do Scandinavian style health systems avoid adverse selection?
4. Adverse selection 2: rate making, objective risk, risk pools and sorting into risk pools, effects of government regulations against risk sorting
5. Risk adjustment: predicting health care expenditures with demographics, risk adjustment as a policy instrument (use in Germany and Obamacare)
6. Advantageous selection: correlations between risk aversion and the probability of loss, income-risk correlations in health insurance
7. Moral hazard 1: the moral hazard problem, copayments and deductibles as instruments to limit moral hazard, empirical documentation in the RAND health insurance experiment
8. Moral hazard 2: other approaches to limit moral hazard (utilization management, gatekeeping), limits to these instruments (medical ethics, the question of trust, communication), supply induced demand
9. Hospital competition and selective contracting: counterintuitive effects of competition in the absence of selective contracting, selective contracting as an instrument to limit costs, did HMOs lead to lower costs?, selective contracting and quality of hospital care
10. Physicians and selective contracting: physician enumeration methods, the effect of managed care on physician income, physician groups, cost effects of gatekeeping
11. Managed care, markets and market power: why has managed care hardly decreased costs in the last 20 years?, market consolidation, monopsony power, antitrust and the health care market, most favored nations provisions
12. Employer sponsored health insurance and compensating differentials: reasons for employer sponsored health insurance (favorable selection, tax advantages, administrative costs savings), policy implications (e.g. mental health coverage)
13. The pharmaceutical market: supply and demand of pharmaceuticals, patenting, pricing and marketing
14. Health care reform: using the Affordable Care Act to recap learned concepts

All lectures will describe the relevant issues and then show some empirical evidence. The empirical evidence will allow to get an idea for the relevance and magnitude of the effects. If desired, we might have some recap on regression analysis in the second lecture to ensure everyone understands the empirical parts. (in this case lecture 13 might be skipped)

Textbook: Michael A. Morrisey, "Health insurance", Health Administration Press, 2007

journal articles for reading will be assigned during the course