

Health Economics

6th Edition

Charles E. Phelps

Contents

Preface to the Sixth Edition xiv

Acknowledgments xvii

CHAPTER 1	Why Health Economics? 1
	1.1 Important (if not Unique) Aspects of Health Care Economics 2
	1.2 How Markets Interrelate in Medical Care and Health Insurance 7
	1.3 Afterthought 24
	1.4 Summary 24
	1.5 Related Chapters in <i>Handbook of Health Economics</i> 25
	1.6 Problems 25
CHAPTER 2	Utility and Health 27
	2.1 How to Think About Health and Health Care (or . . . How Health Economics?) 28
	2.2 The Production of Health 30
	2.3 Health Through the Life Cycle 32
	2.4 A Model of Consumption and Health 33
	2.5 Summary 44
	2.6 Related Chapter in <i>Handbook of Health Economics</i> 44
	2.7 Problems 44
	Appendix to Chapter 2: A Formal Model of Utility Maximization 45
CHAPTER 3	The Transformation of Medical Care to Health 48
	3.1 The Productivity of Medical Care 49
	3.2 Confusion About the Production Function: A Policy Dilemma 64
	3.3 Physician-Specific Variations (Medical Practice Styles) 71
	3.4 Extensive and Intensive Margin Differences: Are They Similar? 74
	3.5 Summary 76
	3.6 Related Chapters in <i>Handbook of Health Economics</i> 76
	3.7 Problems 76
	Appendix to Chapter 3: Marginal, Average, and Total Productivity 78

CHAPTER 4	The Demand for Medical Care: Conceptual Framework	82
4.1	Indifference Curves for Health and Other Goods	83
4.2	From Indifference Curves to Demand Curves	87
4.3	How Demand Curves Depend on Illness Events	89
4.4	Demand Curves for Many Medical Services	90
4.5	The Demand Curve for a Society: Adding up Individual Demands	91
4.6	Use of the Demand Curve to Measure Value of Care	91
4.7	How Insurance Affects a Demand Curve for Medical Care	93
4.8	Time Costs and Travel Costs	102
4.9	The Role of Quality in the Demand for Care	103
4.10	Revisited: The Price Index for Health Care	106
4.11	Summary	107
4.12	Related Chapters in <i>Handbook of Health Economics</i>	108
4.13	Problems	108
	Appendix to Chapter 4: Demand Curves and Demand Elasticities	109
CHAPTER 5	Empirical Studies of Medical Care Demand and Applications	112
5.1	Studies of Demand Curves	113
5.2	Another Randomized Study: The Oregon Medicaid Experiment	121
5.3	Effects of Patients' Age and Sex on Demand	122
5.4	The Effects of Illness on Demand	123
5.5	Lifestyle and Its Effects on Demand	123
5.6	The Demand for "Illness"	125
5.7	Further Discussion of Prescription Drug Insurance	128
5.8	Other Studies of Demand for Medical Care	130
5.9	Applications and Extensions of Demand Theory	133
5.10	Decision Theory: Deriving the "Right" Demand Curve for Medical Care	136
5.11	Cost-Effectiveness Ratios and Demand Curves	137
5.12	Why Variations in Medical Practice?	138
5.13	Summary	138
5.14	Related Chapters in <i>Handbook of Health Economics</i>	139
5.15	Problems	139
	Appendix to Chapter 5: An Example of Medical Decision Theory	140

CHAPTER 6	The Physician and the Physician-Firm 146
6.1	The “Firm”—Inputs, Output, and Cost 147
6.2	The Physician as Entrepreneur 148
6.3	The Physician-Firm and its Production Function 148
6.4	The Physician as Diagnostician 149
6.5	Nonphysician Primary-Care Providers 154
6.6	The Size of the Firm: Group Practice of Medicine 156
6.7	Practice Ownership Patterns 159
6.8	The Physician as Labor 161
6.9	The Aggregate Supply Curve: Entry and Exit 166
6.10	The Open Economy: U.S. and Internationally Trained Physicians 166
6.11	Summary 168
6.12	Related Chapters in <i>Handbook of Health Economics</i> 169
6.13	Problems 169
	Appendix to Chapter 6: Cost Passthrough 170
CHAPTER 7	Physicians in the Marketplace 173
7.1	Physician Location Decisions 174
7.2	Consumer Search and Market Equilibrium 179
7.3	The Consequences of Incomplete Search 190
7.4	Actual Search by Patients 191
7.5	Advertising and the Costs of Information 192
7.6	The Role of Licensure 194
7.7	Estimates of the Demand Curve Facing Physician-Firms 195
7.8	Induced Demand 196
7.9	The Role of Payment Schemes 203
7.10	Summary 204
7.11	Related Chapters in <i>Handbook of Health Economics</i> 205
7.12	Problems 205
CHAPTER 8	The Hospital as a Supplier of Medical Care 208
8.1	The Hospital Organization 209
8.2	Who is the Residual Claimant? 213
8.3	Where Does the Utility Function Come From? 216
8.4	Hospital Costs 220
8.5	Long-Run Versus Short-Run Costs 223

8.6	The Hospital's "Cost Curve"	224
8.7	Ambulatory Surgery Remakes the Hospital Sector	226
8.8	The Demand Curve Facing a Single Hospital	228
8.9	The Utility-Maximizing Hospital Manager Revisited	229
8.10	Summary	230
8.11	Related Chapters in <i>Handbook of Health Economics</i>	230
8.12	Problems	230

CHAPTER 9 **Hospitals in the Marketplace 233**

9.1	Hospitals and the Market for Medical Staff	234
9.2	Hospitals and Patients	235
9.3	A Model of Equilibrium Quality and Price	237
9.4	Insurance and Competition in the Hospital's Decision	240
9.5	Interaction of Doctors and Hospitals: "Goodies" for the Doctor	242
9.6	Interaction of Doctors and Hospitals: Patients for the Hospital	243
9.7	Competition: "Old Style" Versus "New Style"	244
9.8	Entry and Exit: The Pivotal Role of For-Profit Hospitals	246
9.9	The Hospital in Labor Markets	246
9.10	Nursing "Shortages"	248
9.11	Summary	251
9.12	Related Chapters in <i>Handbook of Health Economics</i>	252
9.13	Problems	252
	Appendix to Chapter 9: The Hospital's Quality and Quantity Decision	252

CHAPTER 10 **The Demand for Health Insurance 257**

10.1	The Demand for Health Insurance	259
10.2	Reasons People Want Insurance	260
10.3	Choice of the Insurance Policy	264
10.4	Insuring Preventive Services	269
10.5	Insurance Market Stability: The Question of Self-Selection	271
10.6	Income Tax Subsidization of Health Insurance	278
10.7	Empirical Estimates of Demand for Insurance	283
10.8	The Overall Effect of the Tax Subsidy on the Health Sector	284
10.9	"Optimal" Insurance	285
10.10	Other Models of Demand for Insurance	285
10.11	Summary	286

10.12	Related Chapters in <i>Handbook of Health Economics</i>	287
10.13	Problems	287
	Appendixes to Chapter 10	290
	Appendix A: A Detailed Calculation of Welfare Loss	290
	Appendix B: The Calculus of the Risk/Moral Hazard Tradeoff	291
	Appendix C: The Statistics of an Insurance Pool	292
CHAPTER 11	Health Insurance Supply and Managed Care	295
11.1	The Supply of Insurance	295
11.2	Insurance Exchanges in the PPACA	299
11.3	Managed care: A Response to the Incentives of Traditional Insurance	302
11.4	Why Managed Care?	303
11.5	Market Share Trends	305
11.6	Types of Interventions	308
11.7	Which Interventions Work Best for Managed Care?	317
11.8	Long-Run Issues	318
11.9	Summary	321
11.10	Related Chapters in <i>Handbook of Health Economics</i>	322
11.11	Problems	322
CHAPTER 12	Government Provision of Health Insurance	325
12.1	The Medicare Program	327
12.2	Economically Appropriate Deductibles	329
12.3	Program Additions Through Time	329
12.4	Operational Changes in Medicare	337
12.5	The Medicaid Program	350
12.6	Summary	354
12.7	Related Chapters in <i>Handbook of Health Economics</i>	355
12.8	Problems	355
CHAPTER 13	Medical Malpractice	359
13.1	Background of the Legal System in the U.S.	360
13.2	The Economic Logic of Negligence Law	364
13.3	Judicial Error, Defensive Medicine, and "Tough Guys"	366
13.4	Medical Malpractice Insurance	368
13.5	Evidence on Actual Deterrence	368

13.6	Malpractice Awards: "Lightning" or a "Broom Sweeping Clean"?	378
13.7	Tort Reform	379
13.8	How Much Can Tort Reform Reduce Costs?	382
13.9	Tort Reform Writ Large	382
13.10	Summary	383
13.11	Related Chapter in <i>Handbook of Health Economics</i>	384
13.12	Problems	384

CHAPTER 14 Externalities in Health and Medical Care 387

14.1	Externalities, Property Rights, and the Control of Externalities	388
14.2	Externalities of Contagion	389
14.3	Solutions to the Externality Problems	395
14.4	International Issues: Expanding the Scope of the Externality	397
14.5	Externalities from Tobacco	398
14.6	Information as an Externality	400
14.7	Research as an Externality	402
14.8	Reasons for Such Little Research on Medical Effectiveness	403
14.9	Transfusion-Induced AIDS and Hepatitis	404
14.10	Summary	406
14.11	Related Chapters in <i>Handbook of Health Economics</i>	406
14.12	Problems	406
	Appendix to Chapter 14: Value of Life	407

CHAPTER 15 Managing the Market: Regulation, Quality Certification, and Technical Change 412

15.1	A Taxonomy of Regulation	413
15.2	Licensure	414
15.3	Measuring Quality	418
15.4	Paying for Outcomes: ACOs in the PPACA	420
15.5	"Certificate of Need" (CON) Laws	421
15.6	Price Controls	424
15.7	Medicare Price Controls	426
15.8	Drugs and Devices: The New Wave of Medical Care	434
15.9	Summary	447
15.10	Related Chapters in <i>Handbook of Health Economics</i>	448
15.11	Problems	448

CHAPTER 16	Universal Insurance Issues and International Comparisons of Health Care Systems	452
16.1	Aggregate International Comparisons	455
16.2	Increase in Costs and Health Outcomes	459
16.3	The Patient Protection and Affordable Care Act	465
16.4	General Considerations for a National Health Policy	468
16.5	A Final Conundrum	478
16.6	Summary	478
16.7	Related Chapters in <i>Handbook of Health Economics</i>	479
16.8	Problems	479
	<i>Author's Postscript</i>	481
	<i>Bibliography</i>	483
	<i>Index</i>	500