

REVIEW SHEET 1

- (1) Explain how it is possible for the US to have a higher infant mortality rate than Canada has, given that at each birth weight the American birthweight-specific infant mortality rate is lower than the Canadian birthweight-specific infant mortality rate.
- (2) Explain in detail why economists say that the cost of health insurance for active members of the labour force in the United States is not borne by firms but rather by the workers themselves.
- (3) Explain in detail for the case of an imperfectly competitive firm how an increase in the cost of retirees' health insurance affects the firm.
- (4) Explain how the type of insurance considered in most textbooks (i.e. not co-insurance health insurance) acts to pool risk. Discuss actuarially fair premiums, community rating and small and large pool insurance.
- (5) Discuss in detail the issues involved in insurance in the case of pre-existing conditions. Discuss the problems which chronic illnesses present for insurance theory.
- (6) Explain how health insurance came to be provided as a workplace benefit. What issues arise when health insurance is a workplace benefit? Summarize Amy Finklestein's analysis of the effects of Quebec's decision to make health insurance a taxable benefit.
- (7) Explain what is meant by the adverse selection problem in insurance. How does it relate to the concept of the insurance death spiral? How does it relate to the fact that, originally, insurance firms were reluctant to sell health insurance? How did making health insurance a benefit of employment reconcile insurance firms to selling health insurance?
- (8) Explain, giving examples, what we mean by moral hazard in standard insurance theory?
- (9) Discuss the use of the term "moral hazard" in the analysis of co-insurance type health insurance.
- (10) Explain the effect of introducing co-insurance type health insurance into a market where previously nobody had had insurance. How does it affect the position of the demand curve for care? Explain why the position of the demand curve changes in the particular

way it does.

- (11) Analyze the short and long run effects on the price and quantity of care when co-insurance is introduced into a market where, previously, nobody had health insurance of any type.
- (12) Discuss the case of Claritin using the analysis of co-insurance type insurance.
- (13) Discuss Baumol's cost disease concept and explain how he applies it in the case of medical care.
- (14) Discuss the concept of the Medical Arms Race.