

Economics 3300  
Health Economics  
Winter Semester 2010  
Instructor: B. Ferguson

### **Review Sheet 2**

- (1) Explain what is meant by extra-billing by physicians or reference pricing insurance coverage. How does it differ from a co-insurance system?
- (2) Explain why in a model of reference pricing the supplier's average revenue curve is shifted up parallel to the consumer's willingness to pay curve. Why is the shifting effect in this case different from that in the co-insurance case? Explain how you find the supplier's marginal revenue curves in the two cases.
- (3) Explain why, in a system which permits extra-billing, "double-dipping" is not a profit maximizing strategy for physicians.
- (4) Analyze what happens in a reference pricing system when the reference price is reduced.
- (5) Analyze what happens in a system with extra-billing by profit-maximizing physicians when the number of physicians in the community increases.