**The Economics of Healthcare**

**Questions and Problems**

**Questions:**

1. Identify the major players in the US healthcare system.
2. How do Americans pay for health care?
3. Identify the major challenges facing the US healthcare system.
4. How does the US healthcare system compare with those of other advanced economies (e.g. Canada, UK).
5. Why does the traditional demand analysis not fit neatly to the US healthcare market?
6. Why does the traditional supply analysis not fit neatly to the US healthcare market?
7. What are the major causes of annual growth in US healthcare costs?
8. Why does the US government intervene in the US healthcare market?

**Answers:**

1. Households, employers, private insurance, state government, federal government, providers (hospitals, nurses, care facilities), pharmaceuticals.
2. Private insurance, out-of-pocket, Medicaid, Medicare, other third-party payers.
3. Increasing healthcare costs per capita; how uninsured Americans will obtain healthcare; increasing healthcare spending to GDP; access to health services particularly in small/rural communities; commitment of private insurers to pay for certain care including pre-existing conditions; commitment of medical providers to provide services given increasing costs.
4. Growing gap in health expenditures as a percentage of GDP between the US and other advanced economies; per capita health expenditures higher in the US than in comparable advanced economies; decreasing growth rate in per capita health expenditures in the U.S. and other advanced economies; the outcomes on access and quality relative to other advanced economies are mixed in spite of higher per capita US health spending.
5. Price that consumers pay is dependent on private Insurance agreement, negotiated fees by Medicare and Medicaid; health services are fairly heterogeneous; healthcare can be viewed simultaneously as current service and human capital investment.
6. Providers (hospitals) tend to be not-for-profit entities; dominance by a few large providers in each area; significant professional barriers to entry; government providers of healthcare services.
7. Technological advances; profit motive of private insurers; drug prices; inelasticity of demand.
8. Presence of externalities; improve/ensure healthcare access; provide information on quality of care, drugs, and prices; improve commitment by providers and private insurers