

Health Care II

Lecture 12

How to be political about health care

1. Read Arrow (1963)
 2. Choose your priority
 - Coverage?
 - Cost?
 - Quality?
 - Freedom?
 3. Figure out the U.S. system
 4. Look at the cross-national data
 5. If necessary, return to (1)
- (Try not to shut down the government)

Priorities

1. Coverage

Either forced participation, or “extreme price discrimination” (Arrow)

Cost = a function of the size of the risk pool, i.e. coverage through participation rather than indigence (why?)

2. Quality

By what standard? Best “high-end” or best “low-end”?

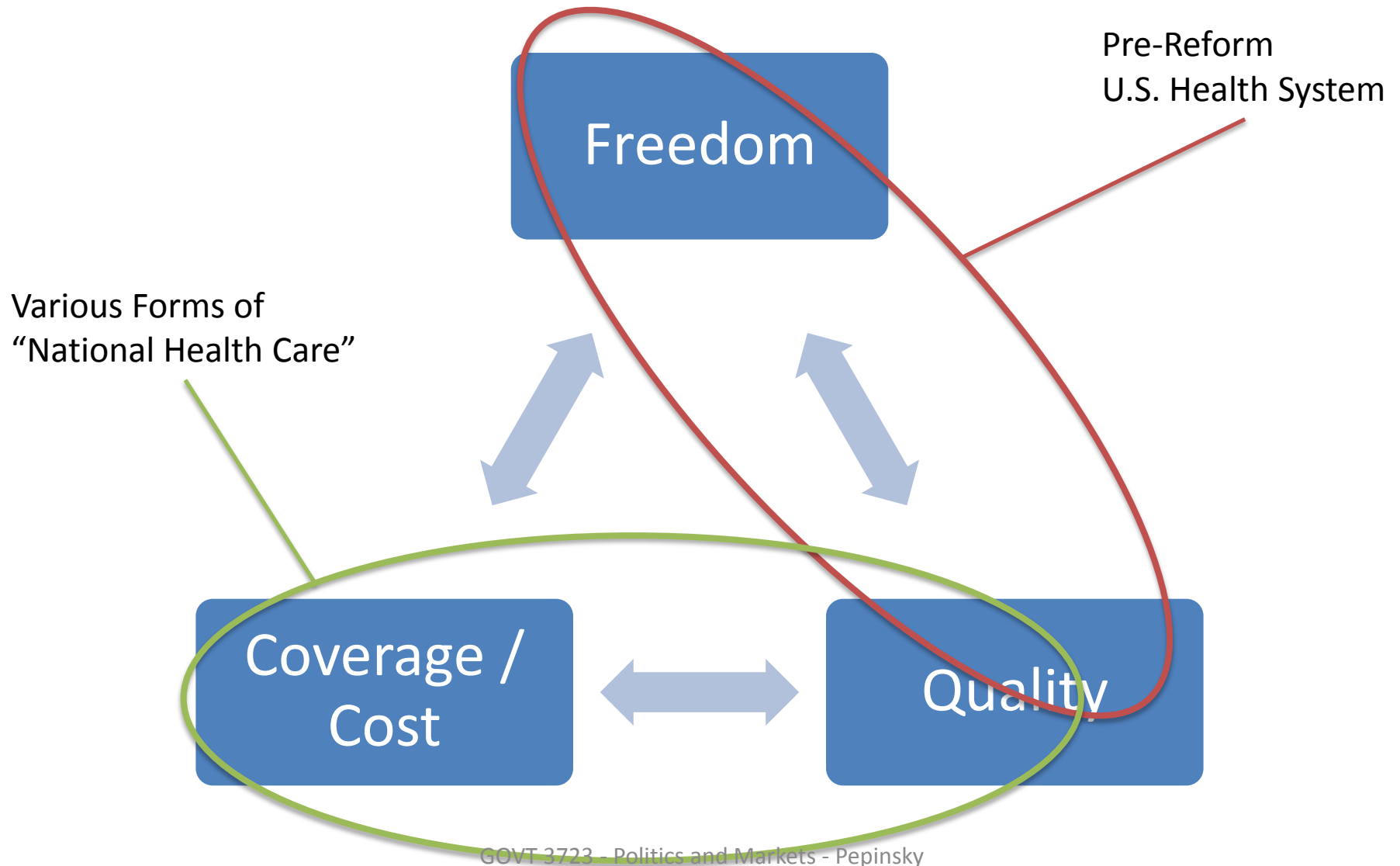
Is the best “high-end” care even knowable?

3. Freedom

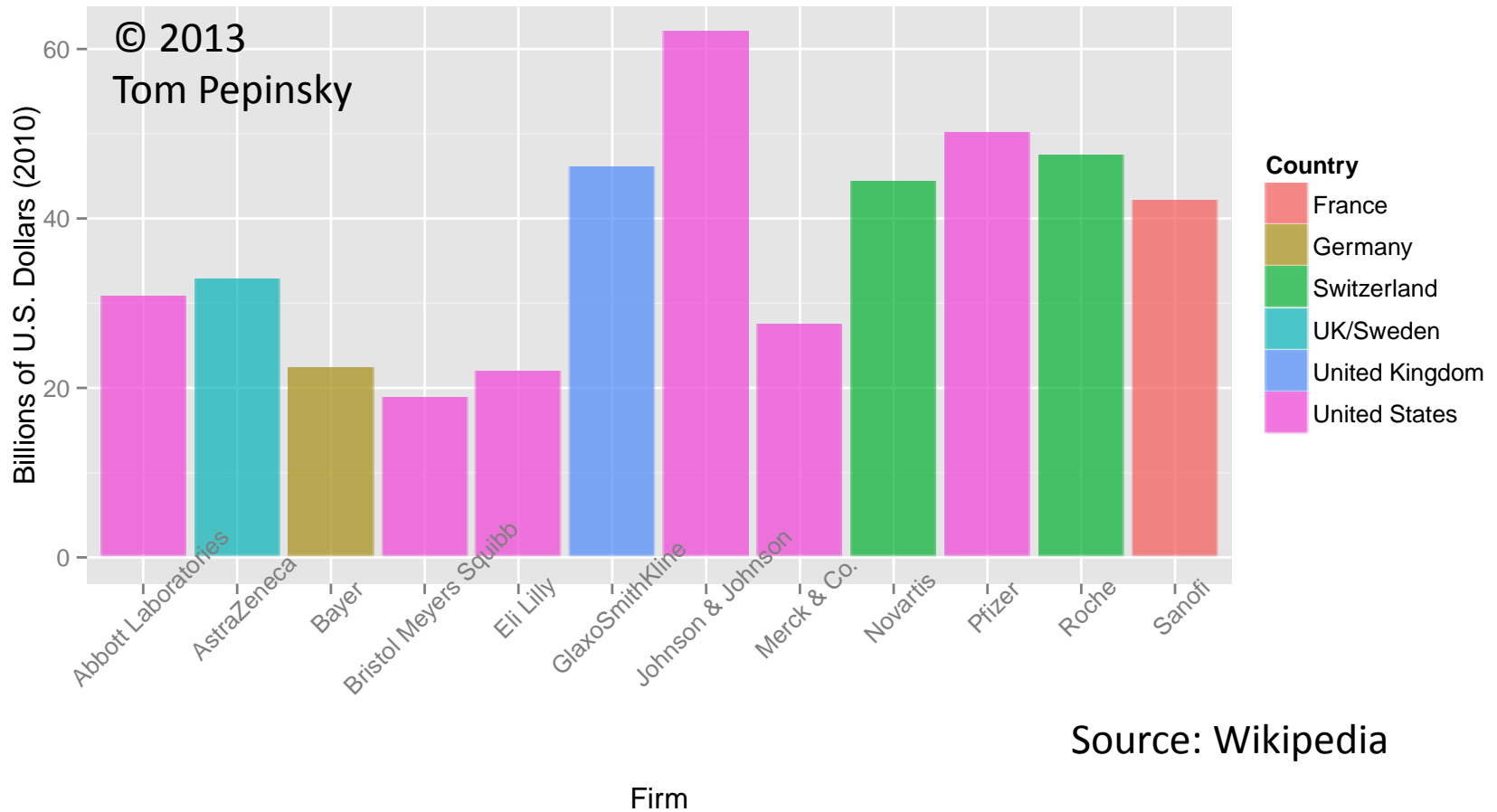
Non-participation by individuals, discretion by doctors

Not freedom to consume whatever healthcare you want, or need

Health Care Trilemma? (Swenson 2007)



Innovation?



Trilemmas in Practice

1. Pre-2008 US system

Free choice but allow moral hazard and adverse selection

2. Single-payer national health care (like Medicare)

Eliminate adverse selection but allow moral hazard and eliminate freedom of non-participation

3. Government provided health care (like the military)

Eliminate adverse selection and contain moral hazard, eliminate freedom of non-participation and some doctor discretion

Obamacare?

A peculiar elaboration of mutant employment-based system, somewhere between (1) and (2)

A Peculiar Elaboration

Swenson and Greer:

Health care -> industrial and labor relations

A Peculiar Elaboration

Ways of providing near-universal coverage

1. Individual mandate

- Individuals must buy insurance
- Common across the world (Japan, Netherlands)
- Governments must help to make the insurance markets

2. Employer mandate

- Employers must provide health insurance, or help to pay for it
- Also fairly common, often combined with individual mandate (France, Germany)
- Governments must make the insurance markets for employers that cannot

3. Nationalized health care

- Health care is like a road: it's there, free or very cheap, use it as you like, we all pay through taxes
- Can have government providers (U.K.) or private providers (Canada)

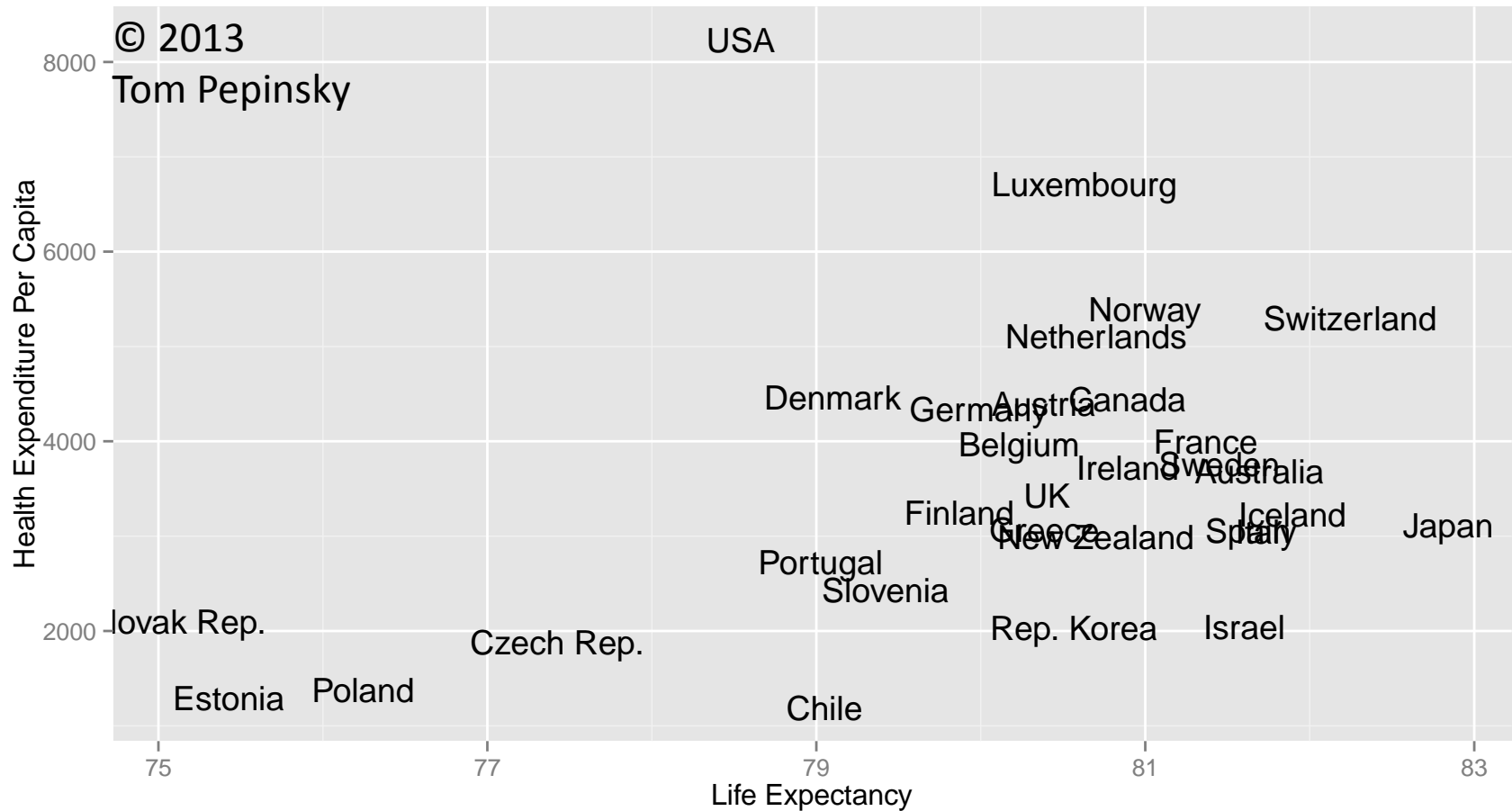
So, about those data...

All from the World Development Indicators,
2010

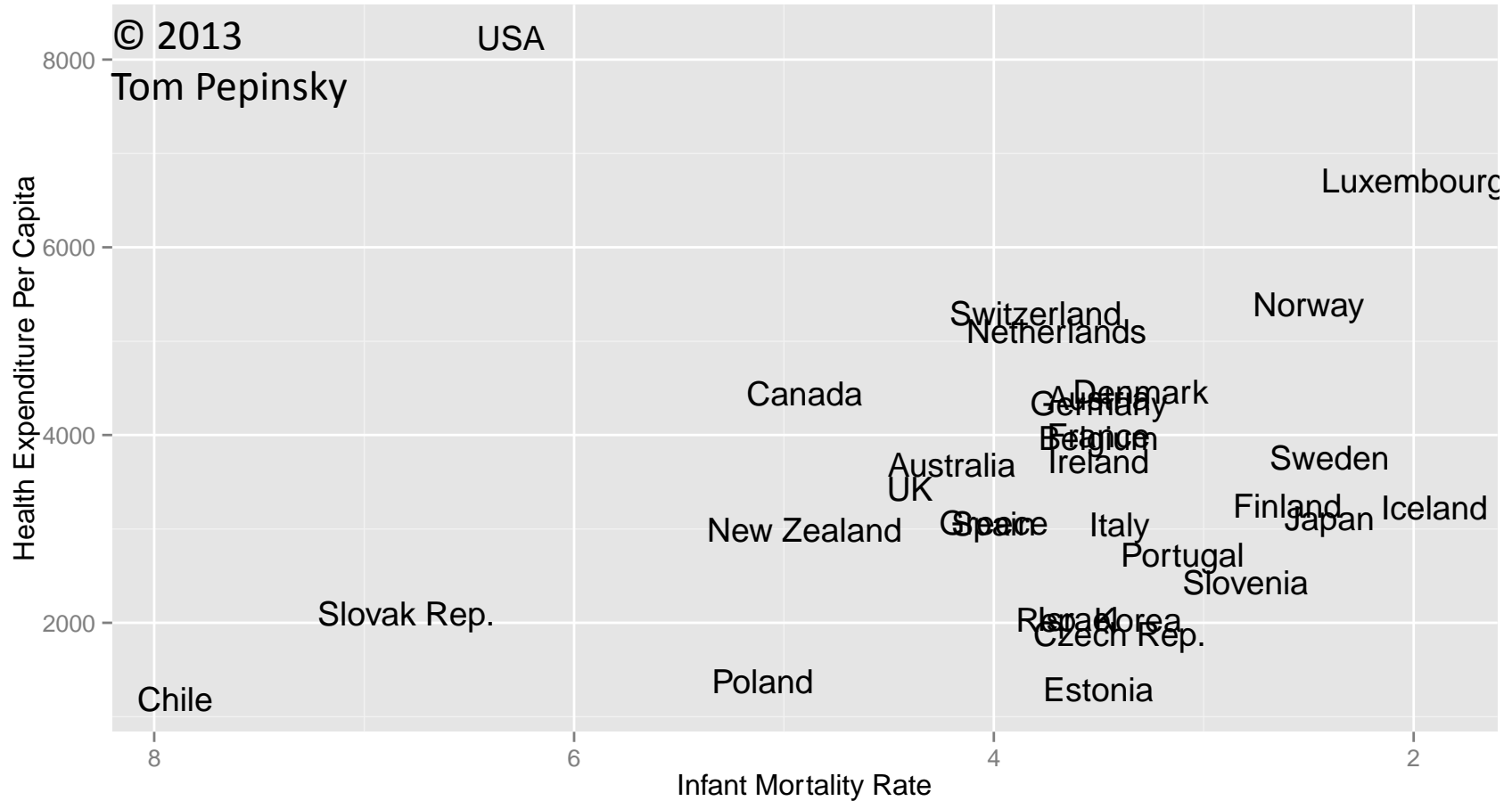
Health Expenditure and Life Expectancy



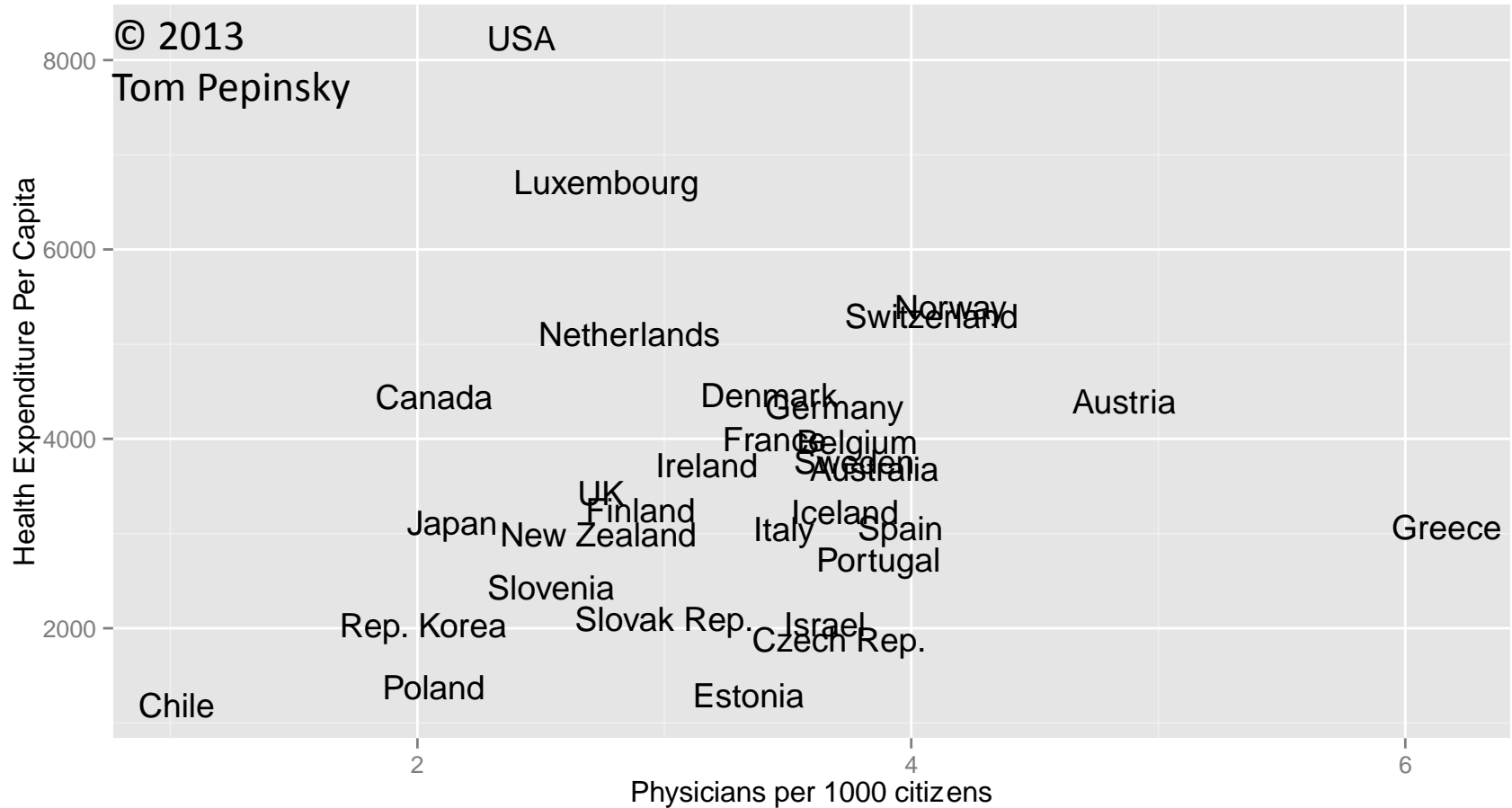
Health Expenditure and Life Expectancy, Rich Countries Only



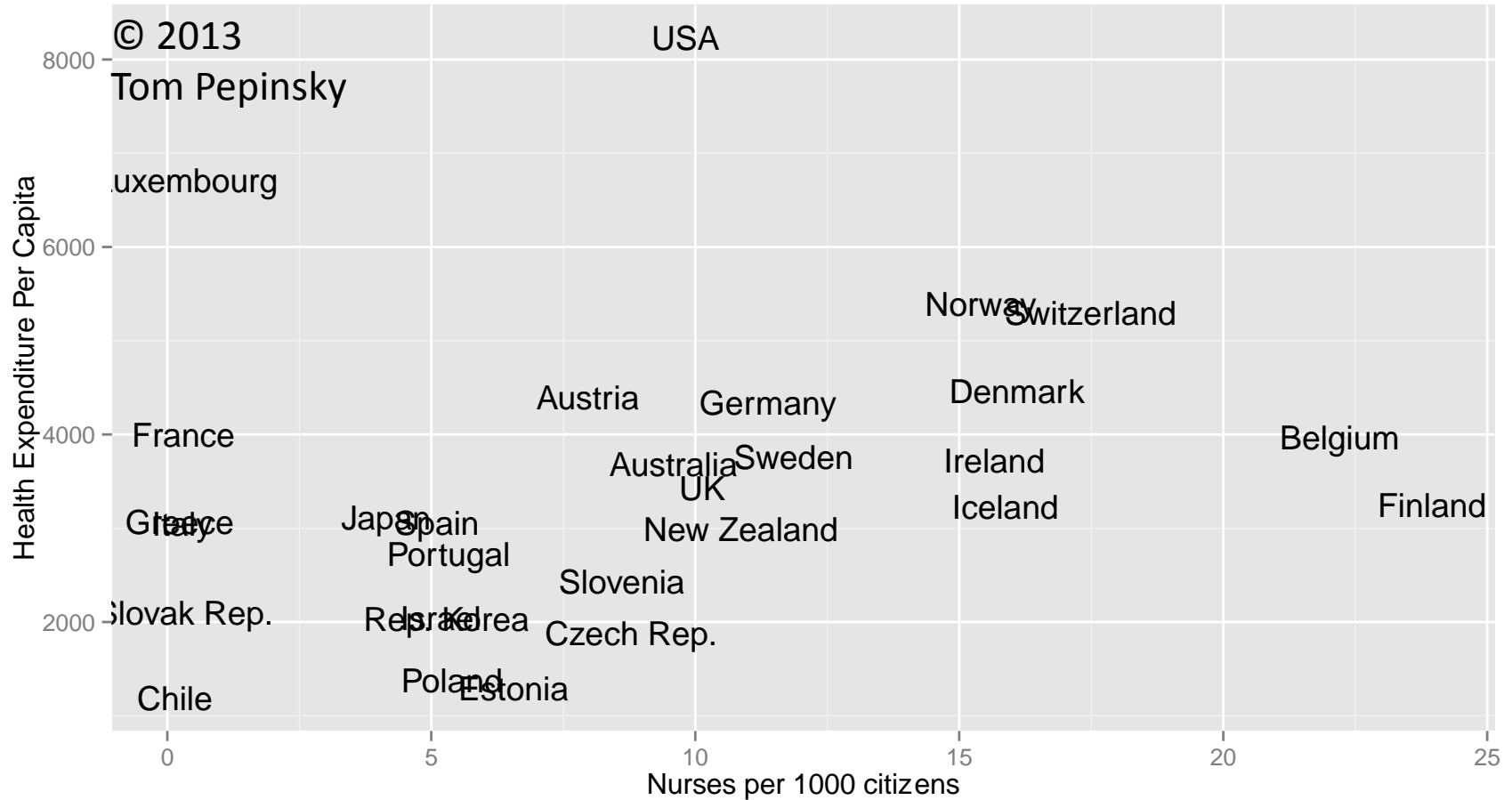
Health Expenditure and Infant Mortality, Rich Countries Only



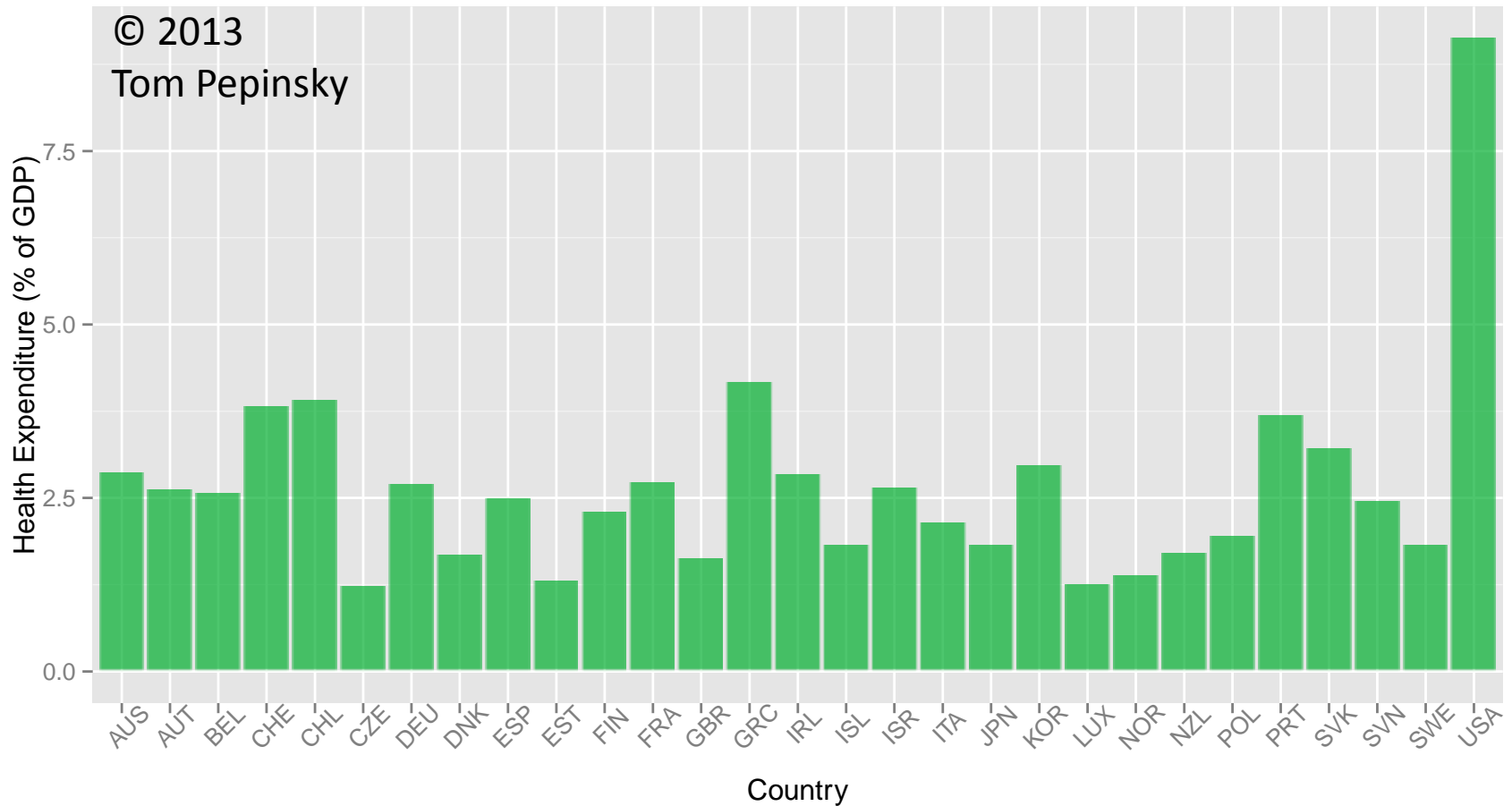
Health Expenditure and Number of Doctors, Rich Countries Only



Health Expenditure and Number of Nurses, Rich Countries Only



Private Health Expenditure Rich Countries Only



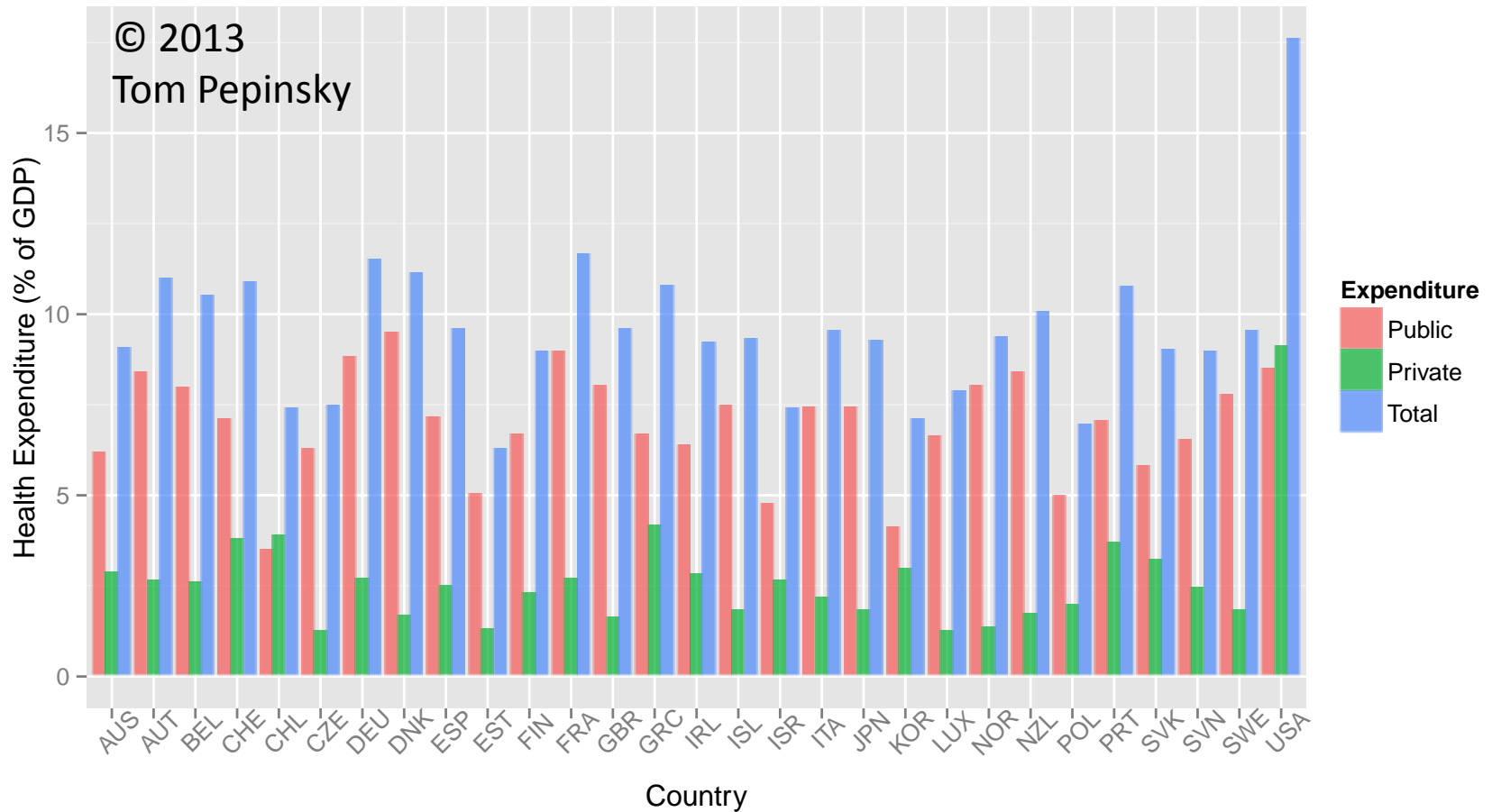
Public Health Expenditure

Rich Countries Only



Total Health Expenditure

Rich Countries Only



So are Americans just sicker?

Maybe we are just sicker, so we spend more and we get less!

Well, yeah, but...

Questions?