

BRIEF CONTENTS

Preface	xv
Acknowledgments	xix
Chapter 1 Thinking Like a Health Economist	1
Chapter 2 The Relationship Between Health and Wealth	10
Chapter 3 The Production of Health	35
Chapter 4 The Production of Health-Related Goods and Services	56
Chapter 5 The Demand for Healthcare	85
Chapter 6 Perfect Competition and Other Market Structures	112
Chapter 7 Physician Behavior.....	136
Chapter 8 The Insurance Market	157
Chapter 9 Cost-Effectiveness Analysis	173

Glossary	193
Index	201
About the Author.....	217

DETAILED CONTENTS

Preface	xv
Acknowledgments	xix
Chapter 1 Thinking Like a Health Economist	1
Learning Objectives	1
Core Concepts.....	2
Economic Relationships.....	3
Linking Economic Analysis to Health Policy	4
Core Concepts Takeaways	6
Technical Elements.....	6
Fundamental Assumptions.....	6
Technical Elements Takeaways	8
Review Questions	8
Recommended Readings.....	9
References.....	9
Chapter 2 The Relationship Between Health and Wealth.....	10
Learning Objectives	10
Core Concepts.....	11
The Relationship Between Health and Wealth	11
Graphing the Health–Wealth Relationship	13

Policymakers and Theories on the Income–Health Relationship	15
Income Distribution and Health at the National Level	18
Core Concepts Takeaways	19
Technical Elements.....	19
Absolute Income Hypothesis.....	20
Relative Income Hypothesis.....	22
Income Inequality Hypothesis	22
Deprivation Hypothesis	25
Relative Position (or Rank) Hypothesis.....	26
International Studies on Health and Wealth	27
Technical Elements Takeaways	29
Review Questions	29
Recommended Readings.....	30
References.....	31
 Chapter 3 The Production of Health	35
Learning Objectives	35
Core Concepts	36
Measuring Health Status.....	37
Health Inputs.....	38
Core Concepts Takeaways	47
Technical Elements.....	48
Review of the Literature on the Production of Health.....	49
Technical Elements Takeaways	52
Review Questions	53
Recommended Readings.....	53
References.....	54
 Chapter 4 The Production of Health-Related Goods and Services	56
Learning Objectives	56
Core Concepts	57
Health Output.....	57
Marginal Product and Diminishing Returns	58
Technology and Production.....	61
Cost and Production.....	64
Economies of Scale and Economies of Scope	67
Core Concepts Takeaways	68
Technical Elements.....	69
Production Possibility Frontier	69
Production Function.....	71

Cost of Health Production.....	73
Long-Run Decision.....	80
Technical Elements Takeaways	82
Review Questions	83
Recommended Reading	83
References.....	83
 Chapter 5 The Demand for Healthcare	85
Learning Objectives	85
Core Concepts.....	86
What Is a Market?.....	87
Factors Influencing Demand.....	88
Core Concepts Takeaways	94
Technical Elements.....	94
Utility and Indifference Curves.....	94
Budget Constraints	97
Demand Curves.....	101
Review of the Literature on the Price Sensitivity of Healthcare Demand	106
Technical Elements Takeaways	109
Review Questions	109
References.....	110
 Chapter 6 Perfect Competition and Other Market Structures	112
Learning Objectives	112
Core Concepts.....	113
Perfect Competition.....	113
Other Market Structures.....	115
Deviations from Competitive Markets	120
Market Structure in the Pharmaceutical Industry.....	123
Efficiency and Equity.....	124
Core Concepts Takeaways	125
Technical Elements.....	125
Short-Run Price and Output Under Perfect Competition.....	125
Application of the Basic Supply-and-Demand Model to Healthcare Markets	128
Externalities	130
Monopoly Structure.....	132
Monopolistic Competition	132
Technical Elements Takeaways	134

Review Questions	134
References.....	135
Chapter 7 Physician Behavior.....	136
Learning Objectives	136
Core Concepts	137
Transition from Solo to Group Practice.....	137
What Constitutes Physicians' Market Power?.....	138
Physicians as Monopolistically Competitive	141
Physician Payment Methods	142
Small Area Variation	144
Supplier-Induced Demand.....	145
Core Concepts Takeaways	146
Technical Elements.....	147
Physician Labor Supply.....	147
Supplier-Induced Demand Theory.....	148
The Role of Quality in Rising Physician Prices.....	152
Technical Elements Takeaways	154
Review Questions	155
References.....	155
Chapter 8 The Insurance Market.....	157
Learning Objectives	157
Core Concepts	158
Risk and Uncertainty	158
Insurance Process	160
Factors Affecting the Demand for Health Insurance	163
Affordable Care Act and the Insurance Industry.....	165
Core Concepts Takeaways	166
Technical Elements.....	167
Risk Aversion and Utility	167
Loading Factor.....	169
Risk Lover.....	169
Measuring Competition in the Insurance Market	170
Technical Elements Takeaways	171
Review Questions	171
References.....	172
Chapter 9 Cost-Effectiveness Analysis	173
Learning Objectives	173
Core Concepts	174

Incremental Cost-Effectiveness Analysis Tasks and Components.....	176
Measuring Outcomes.....	179
Interpreting Cost-Effectiveness Analysis Results.....	180
Core Concepts Takeaways	181
Technical Elements.....	182
Gathering Cost Data.....	182
Calculating Effectiveness.....	186
Using Cost-Effectiveness Analysis (or Similar Methods) in Policy Decisions	189
Technical Elements Takeaways	190
Review Questions	190
References.....	191
Glossary	193
Index.....	201
About the Author.....	217