

## Third Paper Topics

Please answer one of the following questions in three pages. Please turn in your answer to me by 10 am on Friday, November 6.

1. Jacob Hacker surveys the political scene and finds reasons for cautious optimism about health care legislation that would genuinely improve the public welfare. Given what we have learned about the health system, are you optimistic or pessimistic about the prospects for reform? You have some latitude in saying what it is that you may or may not be optimistic about. For instance, you might write about the prospects for meaningful reform passing Congress or the prospects that whatever passes will do any good.
2. You might have noticed this odd pairing of claims in our readings.

“The classic, decades-old RAND Health Insurance Experiment confirmed that patients use fewer services when they pay more for them out of pocket, but it also made it clear that patients reduce the use of necessary services (including preventive care) as much as unnecessary services.” (Blumenthal, p. 196).

“The deadweight loss of excess medical consumption due to insurance is clearly documented by the results from the RAND Health Insurance Experiment (Willard G. Manning et al. 1987) This experiment randomly assigned individuals to different levels of patient coinsurance and deductibles. The findings were striking: higher patient payments led to significantly less use of medical care with no adverse medical outcomes on average (although some adverse effects for low income and unhealthy individuals).” (Gruber, p. 578)

In fact, as we press on, it will happen again.

“A classic study by the Rand Corporation found that when people pay medical expenses themselves rather than relying on insurance, they do cut back on their consumption of health care—but that they cut back on valuable as well as questionable medical procedures, showing no ability to set sensible priorities.” (Krugman and Wells, p. 8)

“Both economic theory and evidence from the RAND Health Insurance Experiment (HIE) and other studies suggest that such a reduction in spending would result in little if any worsening in health outcomes” (Furman, p. 624).

What the heck did the study really show about this important question? Your challenge, should you accept it, is simple. Find out what the answer is, explain it to me, and give me the relevant citations.

Note: you can substitute an answer to this question for any future paper, with the exception of the prospectus, of course.