Study Guide, Midterm Exam
ECON 40565, Health Economics

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What do McKeown and Fogel argue caused the rapid decline in mortality after 1850? What data did they present to support their arguments? What data was missing from their presentations?

What is the Gompertz curve and what does it measure? How to manipulate?

What type of data can be provided to show that rising health care spending has no/little effect on mortality? What examples can we point to where it appears to be beneficial?

What possible pathways can explain the SES/health link? What is evidence is there for and against these as pathways?

Why are we suspicious that observed statistical relationship between income/health does not represent a causal relationship? Why is it difficult/hard to identify income or education as having a causal impact on health?

Why might relative deprivation explain the strong individual correlation between income and mortality but the lack of a correlation in health/income across countries?

What are some ways authors have demonstrated the importance of relative social status on health?

How to graphically measure the dead weight loss associated with a production or consumption externality? How can taxes impose the socially optimal level of consumption?

Explain what factors lead to the conclusion that smokers (drinker) pay more (less) in taxes than the externalities they produce. What are limitations with these studies?

What general methodology do authors use to estimate the impact of cigarette/alcohol taxes on demand? What assumptions are necessary for these models to provide accurate estimates?

What are arguments, other than consumption externalities, that one can use to argue for high cigarette taxes?

Understand the basic difference in difference model. How does one demonstrate that higher cigarette taxes reduce smoking?

Explain the Cutler et al. argument for why obesity is on the rise? What facts do they need to explain? They propose a number of tests that are designed to falsify their model, what are these tests?

How did Schantzenbach propose to test whether school lunch programs increased obesity? What assumptions must she make for this to be a valid estimate?

According to Oster, why has there been less of a behavioral response to HIV in Africa than in the US. Know the basics of the Oster model. What is utility? What are the constraints? What is the utility maximizing choice variable? Explain the utility maximizing condition, i.e., what does it mean and why does it make sense? Generate some comparative statistics, that is, how does risk taking change when conditions like survival probabilities change. What does this model imply about how ARVs have changed behaviors?

What did Oster conclude is the reason the HIV incidence rates in Africa are so much higher than in the US?

Understand the graphical model showing why rising mortality rates from any cause will decrease the incentive to invest in education.

Know the basics of expected utility theory – the difference between expected utility and expected value, how to graph the expected utility line, what the certainty equivalent is, how to calculate on a graph and numerically the amount a person would pay to eliminate the risk.

Why are people willing to shed risk? What is the intuition? What is risk neutral, risk averse and risk loving behavior?

Understand the basic model of insurance. What are actuarially fair premiums? Be able to show that with actuarially fair insurance people will fully insurance and completely smooth consumption (with derivatives, etc.). Be able to show that with a loading fee, consumers will not fully insure. Be able to explain why this is the case.

Understand the model of state-dependent utility. What assumptions are made and why? What does the model imply about the utility maximizing value of insurance?

Know Rothschild-Stiglitz. Be able to graph the optimal insurance contract in the R-S framework – what is the fair odds line what is the 45 degree line, know that with fair insurance the indifference curve will be tangent to the fair odds line and on the 45 degree line. How does this look graphically.

Continue w/ RS. What are pooling and separating equilibriums?   What do the potential contracts look like in both situations? Be able to intuitively and **graphically** explain why with two types of people, neither a pooling equilibrium nor a separating equilibrium will exist.

Why did the insurance death spiral occur in the Harvard health insurance example?

What was small group health insurance reform and why did it fail? How did Simon test for the effects of small group reform? What was the purpose of examining the impact of small group reform on insurance status for people from larger firms?