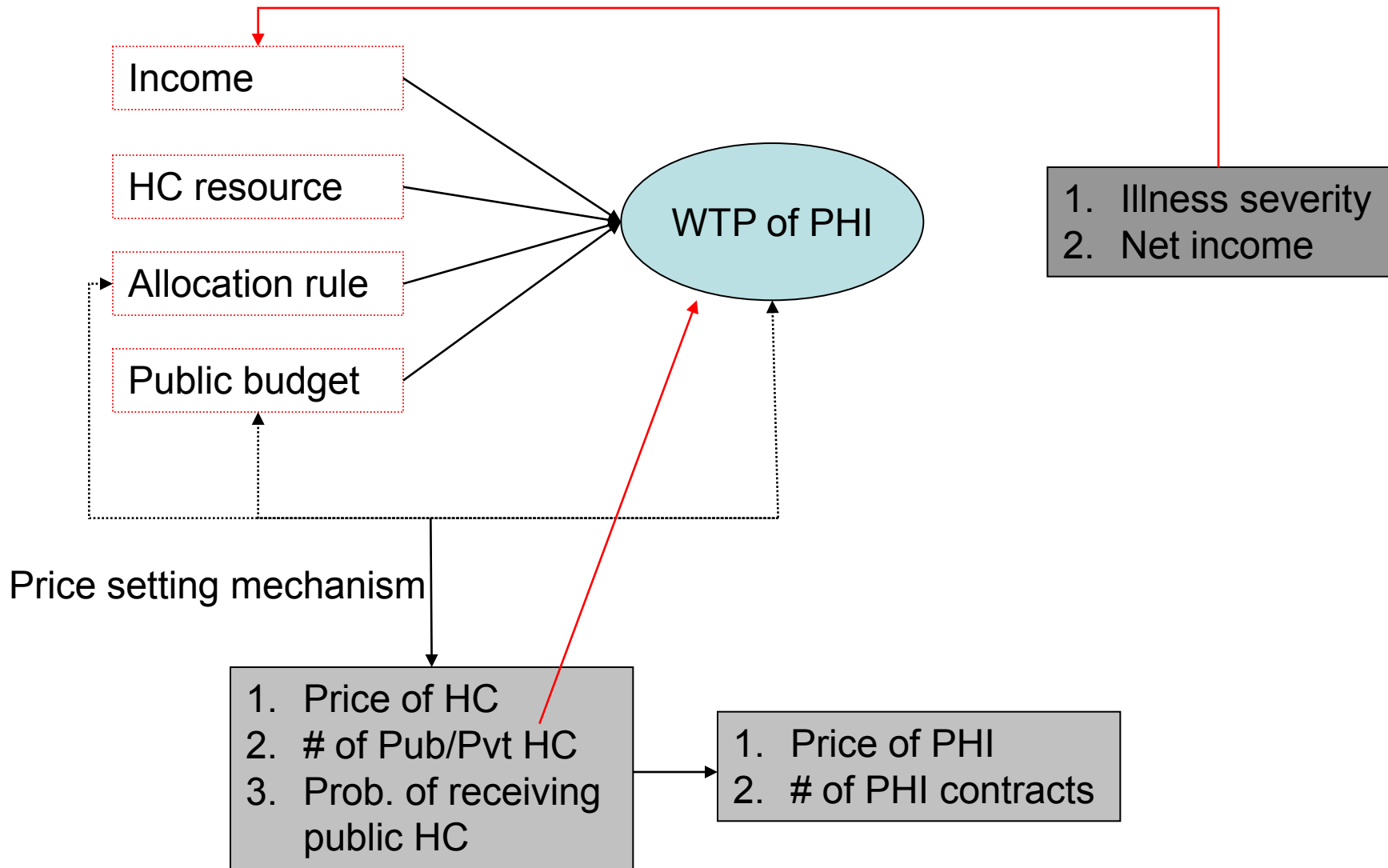


An experimental investigation of the
demand for PHI and health system
outcomes under a mixed system of
public and private finance
Author: Buckley et al

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Organisation

- My (layman) interpretation of how the experiment works
- Examining the methods and some key assumptions





Examining the methods and key assumptions

1. Is an experiment a good tool for market equilibrium analysis?
 - a. Experiments conventionally used to quantify a behavioural response (e.g. degree of risk aversion).
 - b. The feedback of outcomes on individuals' choices is key to justifying the experimental approach
 - Apply WTP estimates to a general equilibrium theoretical model?
 - Is there a theory on how individuals WTP for PHI is affected by system outcomes or can this be seen in the empirical results?

2. A lot of the action is missed out by assuming that illness severity is random (uniform) and is revealed ex-post to WTP (*feedback?*).
 - a. Expectation about types of illness (etc. accidents, elective) influence the WTP for insurance.
 - b. Interesting analysis about separating equilibrium of severity types.
 - c. Insurance decision ex-ante to severity but utilisation decision is ex-post (similar by construction in the experiment)

Examining the methods and key assumptions

3. PHI is a necessary bad – it crowds out the public sector.
 - a. Assumptions of the model (H fixed, all with PHI use it)
 - b. Is there a realistic assumption to make?
 - i. Regulations on dual practice, own/cross sector labour supply elasticities
 - ii. Extent of crowding out depends also on types of illness conditions (back to the point of severity).