An experimental investigation of the demand for PHI and health system outcomes under a mixed system of public and private finance

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Organisation

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

1. Price of HC
2. # of Pub/Pvt HC
3. Prob. of receiving public HC

WTP of PHI

1. Illness severity
2. Net income

Income
HC resource
Allocation rule
Public budget
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).