Issues in Private and Public Health Insurance  
HSAP 0663  
Spring 2012

Course Outline and Readings

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- Course focus and goals

Private and public health insurance in the US provide nearly 85% of all expenditures for personal health care services. Given their dominant role in health care financing, these sources of health insurance have a profound impact on the US population’s access to and use of health care, on system-wide health care costs, and on the prices paid for specific health care services on behalf of different population groups. At the same time, the benefit and payment provisions associated with health insurance can affect the efficiency with which health care is used, while the uneven distribution of health insurance across different population groups raises important issues regarding the equity with which health care resources are distributed. Concerns about such efficiency and equity effects have contributed to an ongoing debate about whether market-based or regulatory approaches are best suited to address problems of access to affordable health insurance. These concerns have played a major role in the development and enactment of health reform under the Patient Protection and Affordable Care Act (ACA) of 2010.

Apart from their dominant role in financing health care, the features of private and public health insurance in the U.S. also yield other implications for efficiency and equity. Private health insurance is most frequently obtained through the workplace, while enrollment in public health insurance typically depends on meeting categorical eligibility criteria related to income, age, and/or health status. Requirements for the former can affect decisions regarding employment activity, including participation in the labor force, hours of work, choice of jobs, voluntary job change, retirement, and employee pecuniary and non-pecuniary compensation. Eligibility requirements for public coverage can similarly affect labor force and employment decisions, including decisions to continue working or to adjust work-related activities so that individuals meet statutory earnings requirements. In addition, private and public coverage may exhibit certain linkages. For example, expansions of income thresholds for public coverage or extensions of public coverage to both children and their parents may “crowd out” private insurance as some newly eligible working families substitute their existing work-related coverage for less expensive public insurance. Some individuals also may hold both forms of coverage to pay for health care services, such as persons with Medicare supplemental private insurance.
We will explore a number of issues related to the role of private and public health insurance in the health care sector. In doing so, our focus will be on the institutional features of these insurance systems, the theory underlying the population’s demand for private and public health insurance, and potential behavioral responses by persons with such coverage. We will also examine empirical evidence regarding such behavior as well as evidence on the impact of policy interventions seeking to address market shortcomings. Our goal will be to engage in a critical evaluation of the private and public insurance systems with the intent of identifying changes that might improve the efficiency and equity with which these markets pool risks. In doing so, we will seek to integrate critical health insurance provisions of the ACA into our discussion, demonstrating how the performance of private and public systems of coverage have served as the basis for the ACA’s reform of past health insurance practices and provisions.

The required text and supplementary readings for this course will provide institutional background and describe analytical models that have been applied to characterize individual and market behaviors regarding private and public health insurance. These sources will also present research findings assessing the impact of alternative policy interventions to address market failure in private health insurance markets and to expand access to public coverage. In evaluating such research, we will pay particular attention to the design of empirical strategies to identify causal effects. As we shall see, identifying causal relationships between policy interventions and desired outcomes remains an important challenge to assessing the success of various policy interventions.

Upon completing this course, a student will:

- Understand the characteristics and institutional features of the major private and public insurance programs in the US;
- Understand theoretical basis governing individual decisions to participate in private and public health insurance;
- Understand the conceptual basis for policy interventions in private insurance markets;
- Identify the key policy issues related to each of these systems that have prompted health care reform;
- Be able to critically evaluate empirical research seeking to assess the impact of policy interventions in private insurance markets and public insurance programs.

- **Course requirements and grading**
  - **Prerequisite:** HSAP 0615: Health Care Economics

- Readings: Assignments from the text will be supplemented with readings from a variety of health policy and health economics journals and other types of reports. Readings will be made available through the SPH ANGEL system (you will need a UMDNJ e-mail address to access this). In certain cases, readings will be distributed in class and/or sent via e-mail as PDF files. Readings will be distinguished as required or optional (*).

-Grading

Policy memo (40 percent of grade): Each student is responsible for drafting a policy memo identifying a particular health insurance issue, evaluating a private or public initiative or approach to address the issue, and recommending whether the initiative should be adopted. The memo should be no more than 20 pages in length (including references) and should include a statement of the issue, its importance, background and context; arguments outlining the “pros and cons” of the policy initiative to address the issue; an evaluation of the groups likely to ‘win’ or ‘lose’ under the policy initiative; and a final recommendation for a course of action. Since the ACA includes a variety of health insurance initiatives and provisions, some of which are viewed as controversial, students should feel free to focus on these provisions.

Examples of possible memo topics include the following (but you should feel free to work on any issue that interests you): Should the federal government require individuals and / or employers to obtain or provide health insurance? Should the federal government eliminate entirely or cap the tax subsidy for employer-provided health insurance? Should “Cadillac” health plans be taxed? Should health insurer “loss ratios” be limited (as under the ACA)? Should health reform and insurance exchanges include a publicly sponsored health plan as a source of coverage? Should we allow health insurance products to be sold across state lines? Should employers adopt wellness programs to reduce their health insurance costs? Should overweight/obese individuals pay higher health insurance premiums? Should insurers only approve treatment and payments for evidence-based medical care practice? How should we ensure that coverage is affordable for low-wage employees? How should we address problems of health insurance loss during economic downswings? Should states expand their Medicaid and CHIP programs to include higher income households? Should states impose premium and cost-sharing on enrollees in publicly provided health insurance plans? How can we ensure that individuals who are eligible public health insurance programs enroll? Should Medicare be extended to non-elderly, uninsured individuals? All topics must be approved by the instructor.

Essay exam (40 percent of grade): There will be a final essay exam. Students will be asked to apply concepts developed in class to questions regarding policy issues in provision of private and public insurance. A study guide will be provided.
Class participation (20 percent of grade): Students will be asked to contribute to class lectures by leading discussions and/or commenting on specific articles presented in class.

Professor Alan C. Monheit

- **Academic Integrity:**

According to the UMDNJ Honor Code (SPH Bulletin, Appendix I, part III):

“Each student bears a fundamental responsibility for maintaining academic integrity and intellectual honesty in his or her graduate work. For example, all students are expected to observe the generally accepted principles of scholarly work, to submit their own rather than another’s work, to refrain from falsifying data, and to refrain from receiving and/or giving aid on examinations or other assigned work requiring independent effort. In submitting written material, the writer takes full responsibility for the work as a whole and implies that, except as properly noted by use of quotation marks, footnotes, etc., both the ideas and the works used are his or her own. . . . Each student is expected to contribute to the academic integrity of the school community by not facilitating inappropriate use of her/his own work by others and by reporting acts of academic dishonesty by others to an appropriate school authority. It should be clearly understood that plagiarism, cheating, or other forms of academic dishonesty will not be tolerated and can lead to sanctions up to and including separation from the UMDNJ – School of Public Health.

- **Course outline and readings**

I. Background: Underlying issues; Sources of health insurance and health care financing in the US; The structure of private and public health insurance systems. (2 Weeks)

**Brief overview of issues:**

*Setting the stage:*

Discussion: The current state of health insurance and the impetus for health reform.

*How should we think about health insurance?*


A. General institutional background
Morrisey text: Chapter 2.


B. The nature of the health expenditure distribution and implications for health insurance.


II. Review of Theory of Demand for Health Insurance (2 weeks)
A. Underlying theory and departures from received theory
Morrisey text: Chapter 3.


B. Health insurance, incentives, and market failure

i. Moral hazard versus risk spreading
Morrisey text: Chapters 7 & 8.


ii. Is moral hazard inefficient?


ii. The problem of asymmetric information: adverse selection
Morrisey text: Chapters 4, 5, 6.


III. Measurement Issues (2 week)

A. Measurement of health insurance status: the insured and uninsured populations

**B. Identifying causal relationships**


**C. Applications:**

**i. State Coverage Expansions for Young Adults**
Alan C. Monheit, Joel C. Cantor, Derek DeLia, and Dina Belloff. “How Have State Policies to Expand Dependent Coverage Affected the Health Insurance Status of Young Adults?” *Health Services Research* 46(1), Part II (February 2011): 251-267.

**ii. Testing for adverse selection:**


**ii. Does Health Insurance Improve Health?**
IV. Some Aspects of private health insurance in the United States (3 weeks)

A. Institutional and historical background

Morrisey text: Chapter 1.


i. Employment-based health insurance


ii. Aspects of the demand for employment-based health insurance
Morrisey text: Chapter 12 & 13.


An aside: The complexity of household health insurance decisions:


Demand for employment-based coverage: an example:
ii. Is health insurance affordable?

*Helen Levy and Thomas DeLeire. 2009. “What Do People Buy When They Don’t Buy Health Insurance and What Does that Say about Why They are Uninsured?” Inquiry. Spring.


iii. The Tax subsidy for Employment-Based Coverage
Morrisey text: Chapter 14.


iv. Do all workers value health insurance? Worker sorting by health insurance preferences
Morrisey Chapter 15.


B. Is the market for individually purchased coverage a viable alternative to employer-sponsored health insurance?
Morrisey text: Chapter 19.


V. Initiatives to Address Insurance Market Failure and Access to Coverage (2 weeks)

A. Changing incentives:


B. Consumer-driven health insurance plans
Morrisey, Chapter 16.


C. Reforming health insurance markets through regulation

Morrisey text: Chapter 18.

i. Health Insurance Mandates


The Constitutionality of the PPACA’s Health Insurance mandate:
Amicus Curiae Brief on behalf of Economic Scholars in Support of Individual Mandate. United States Supreme Court.

ii. State Health Insurance Market Reform

Setting the Stage: Characteristics of the Small Group Insurance Market:

Morrisey text: Chapter 17.

Findings:


iii. Alternatives to market reform – ‘Carving out’ responsibility for high risks through reinsurance and high risk pools


VI. Public health insurance: when private markets fail (3 weeks)

A. Basic features of social insurance and means-tested insurance programs:


B. Medicaid and the State Children’s Health Insurance Program

i. Medicaid: Program descriptions and summary of accomplishments:

Morrisey, Chapter 23.

B. Medicaid and the State Children’s Health Insurance Program

i. Medicaid: Program descriptions and summary of accomplishments:
Morrisey, Chapter 23.


ii. Policy issues:

a. Does Public Health Insurance Programs Crowd Out” Private Health Insurance?


b. Enrolling eligible population not enrolled.


iii. SCHIP – The State Children’s Health Insurance Program


C. Medicare: Health insurance for the elderly and disabled

i. Intent and structure of program

Morrisey, Chapter 21.
HSAP 0663

Professor Alan C. Monheit

ii. Accomplishments


iii. Reforming Medicare


A word on premium support programs:


VII. Additional Issues (1 week)

i. The Market for Long-Term Care Insurance


ii. Reform of the U.S. Health Care System: How “Radical” is Reform under the ACA?

a. Massachusetts as a Model for U.S. Health Reform
Center for American Progress. Myth vs. Fact: Health Care Reform in Massachusetts. April, 2011.


*b. National Health Reform: The Patient Protection and Affordable Care Act.*


Alternative approach to reform:
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HONOR CODE

Each student bears a fundamental responsibility for maintaining academic integrity and intellectual honesty in his or her graduate work. For example, all students are expected to observe the generally accepted principles of scholarly work, to submit their own rather than another’s work, to refrain from falsifying data, and to refrain from receiving and /or giving aid on examinations or other assigned work requiring independent effort. In submitting written material, the writer takes full responsibility for the work as a whole and implies that, except as properly noted by use of quotation marks, footnotes, etc., both the ideas and the words used are his or her own. In addition to maintaining personal academic integrity, each student is expected to contribute to the academic integrity of the school community by not facilitating inappropriate use of her/his own work by others and by reporting acts of academic dishonesty by others to an appropriate school authority. It should be clearly understood that plagiarism, cheating, or other forms of academic dishonesty will not be tolerated and can lead to sanctions up to and including separation from the UMDNJ-School of Public Health.

Acknowledged (Print Name) ______________________________ Signature ______________________________

Approved by Executive Council, UMDNJ-School of Public Health: February 11, 2008