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## The American Model

### Comprehension Questions

Indicate whether the statement is true or false, and justify your answer. Be sure to cite any evidence and state any additional assumptions you may need.

1. Nearly half of expenditures on health care in the United States are government financed.

**TRUE.** This is mostly a consequence of the creation of Medicare and Medicaid in the 1960s.

2. The take-up rate of health insurance among people with good jobs (that is full-time jobs that have lasted longer than a year) has declined in recent years, and this is an important reason for the increase in uninsurance rates over those same years.

**FALSE.** Farber and Levy (2000) find that more and more US employers are offering peripheral, part-time jobs without health insurance, and this is explaining rising uninsurance.

3. In employer-sponsored health insurance in the U.S., employers pay the largest share of the costs of health insurance.

**FALSE.** While it is nominally true that many employers pay a portion of health insurance premiums for their workers, in equilibrium the wages of workers reflect the employer subsidy. It is more accurate to say that workers pay for their employer-sponsored health insurance plans, both through assessed premiums and through lower wages.

4. Medicare Part D, which was implemented in 2006, is the federal insurance program for the elderly in the US that provides for prescription drug coverage.

**TRUE.** Parts A, B, C are concerned with hospital and outpatient coverage, not drug coverage.

5. In the U.S. Medicare program, by statute, the government is not permitted to take cost-effectiveness criteria into account when deciding whether to cover new medical technologies.

**TRUE.** Medicare must pay for any treatment that is “safe, effective, non-investigational, and appropriate” – cost is not taken into account.

6. The primary source of funding for the Medicare program is from premiums assessed on the elderly population, which is the primary population enrolled in the program.

**FALSE.** The primary source of funding is from payroll taxes on the employed population, most of whom are under age 65 and not on Medicare.

7. The imposition of federally mandated maternity benefits had no effect on the mean wages of female workers.

**FALSE.** Gruber (1994) found that this law depressed the wages of female workers of childbearing age. This is evidence of *wage pass-through*.

8. A primary cause of increasing uninsurance in the U.S. over the past decade is that more employers are deciding to stop providing health insurance coverage entirely.

**FALSE.** Many employers are still providing coverage, but there has been an increase in “peripheral” jobs – like part-time jobs or temp jobs – that are not eligible for coverage.

9. Barriers to care erected by managed care organizations, such as requiring patients to visit gatekeeper physicians prior to seeking specialist care, can increase consumer welfare.

**TRUE.** If managed care tactics effectively combat moral hazard, they can increase consumer welfare because there is less wasteful care for consumers to finance.

10. Scholars who study managed care organizations tend to pick managed care plans over more traditional health insurance plans.

**FALSE.** In a survey of 17 academic institutions, Studdert et al. (2002) find that managed care experts were significantly less likely to enroll in an HMO than philosophers, mathematicians, and law professors.

11. Medicaid creates a work disincentive effect even for people currently not working at all.

**TRUE.** The disincentive effect applies to anyone who is at risk of losing Medicaid if they start working more.

12. Suppose that a state grants Medicaid benefits to a worker only if his income is between \$5,000 and \$10,000 a year. This will not result in a work disincentive because those who are not working at all cannot receive any benefits.

**FALSE.** The disincentive effect applies to anyone who is at risk of losing Medicaid if they start working more. Someone earning \$9,999 per year has a major disincentive to take on more work.

13. The primary sources of funding for Medicaid are payroll taxes (paid by workers), and premiums, deductibles, and copayments (paid by patients).

**FALSE.** Medicaid is designed to be free or nearly free for its patients, so it is almost entirely financed by taxpayers.

14. In 2010, there were nearly 40 million people in the U.S. who went without health insurance for the entire year.

**TRUE.** Sixty million people lacked health insurance for at least some part of the year.

15. In the 2010 American health reform law, one primary mechanism for financing the expansion of health insurance to the uninsured involves reducing planned Medicare expenditures.

**TRUE.** However, the law does not specify how or where Medicare cuts will occur.

16. After the American health reform plan is fully implemented in 2014, there will be no more uninsured people in the U.S.

**FALSE.** There will still be 20 million people without health insurance, including people who opt out of buying insurance through a health insurance exchange.