

# Incentives and Choice in Health Care

edited by Frank A. Sloan and  
Hirschel Kasper

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## Preface

This book is a collection of essays by many of the preeminent scholars in the field of health economics. The authors describe the development of research on some of today's most important issues in health care, and add their own recent findings and perspectives, to aid the reader in gaining a better understanding of the role of incentives in choices by patients and providers in health care.

The purpose of the book is to evaluate the role of incentives and markets in a variety of health contexts, ranging from demand decisions—individuals who make choices about the health care services they consume and the health insurance policies they purchase as well as their personal health more generally—to supply decisions—by students who are considering a career in medicine practicing physicians, hospitals, and pharmaceutical manufacturers.

Preliminary versions of most of the chapters were presented on the second and third days of a conference held September 8–10, 2006, at Oberlin College in Oberlin, Ohio. This conference assembled the distinguished academic researchers of the chapters that are included here, but in addition, nearly every discussant of the papers was a graduate of Oberlin, as were most of the expert panelists, demonstrating that, as one of us experienced personally (Frank Sloan, 1964), liberal arts colleges are the home to rising scholars and crucial research on issues at the top of the nation's agenda. Academic and research economists came together at the conference with people with everyday experience in many different aspects of the nation's health care. The roundtable on the first day of the conference included panelists from a wide array of health care providers and organizations. The chief executive officer of the Cleveland Clinic, one of the nation's

foremost research hospitals, opened the conference, and his remarks were followed by those of an administrator of a nonprofit multihospital chain, economists in and outside the government who evaluate health policies, and experts from venture capital funds that help finance new providers of medical devices and pharmaceutical drugs. A manufacturer of generic pharmaceutical drugs offered his perspective on one panel.

In organizing this project, we viewed the conference as an important vehicle for assembling the authors, discussants of the papers, health care practitioners and administrators, Oberlin students, faculty, and alumni, and persons in the community who have a general interest in health care and policy. The authors substantially revised their chapters based on the comments they received at the conference as well as through general discussion, subsequent reviews, and further reflection and research.

Much discussion of the issues contained in this book ordinarily takes place among specialists in the field. Some excellent technical summaries have appeared, such as the *Handbook of Health Economics*.<sup>1</sup> The *Handbook*, however, is oriented to professional economists—faculty, graduate students, and other researchers. In organizing the conference and ultimately this book, our goal has been to address a general audience. This book is appropriate as a supplement to a text in health economics. It is also aimed at readers who may have a limited background in economics, but have an interest in health policy, either as a health care provider, public policy maker, or consumer-patient-citizen. Each author is well aware of the other chapters, and there is referencing across chapters. The subject matter is quite diverse, and readers may wish to concentrate on individual chapters according to their interests rather than read the book sequentially from cover to cover.

This book focuses on the health care system in the United States. Yet there is much in the book that applies to other countries as well. Patient behavior is fairly universal. Innovation in pharmaceuticals and medical devices is a global concern. The issue of how to best compensate health care professionals is relevant, to a greater or lesser extent, to all countries. While pay for performance is still in its infancy, the issues pertinent to the United States also apply to other countries. Although polls often indicate that people like their own health care system, policy makers in few countries are entirely satisfied with their

existing system, and most are considering new ideas to improve what they now have.

Finally, the book describes our current understanding, but also identifies what we do not know. Substantial progress has been made in health economics, but we have only scratched the surface. There is indeed much to be learned.

### **Note**

1. Culyer and Newhouse (2000).