

1. I expect to get answers from across the spectrum on this one, ranging from all life is priceless, so we should try to save every life, to save only those where there is a reasonable chance of success (variously defined). The economic allocation rule is to provide care only when the expected marginal benefits exceed the expected marginal costs.
2. David R. Haburchak, "The Economics of AIDS in America," *The AIDS Reader* 7(5), September/October 1997, 155-160, compares the cost-effectiveness of the new three-drug regime in treating AIDS with estimates of the cost-effectiveness of renal dialysis, bypass surgery, and mammography screening and shows it anywhere from 2-5 times more cost effective than the other treatments. If it added, say, 20 years to a person's life, it would do so at a cost of \$60,000 per year saved, making it more cost effective than bypass surgery and prostate-specific antigen (PSA) screening. This research may be accessed on Medscape at <http://www.medscape.com/SCP/TAR/1997/v07.n05/a3032.haburchak/a3032.haburchak.html>. You will need to register to access the paper, but it's free.
3. If organs were sold like any other commodity, more would be available and the price of organs would be greater than zero. Expect abuses such as exploitation of the poor for their organs and late-term abortions to harvest organs from infants *in utero*. Some countries contract in organs or presume consent.
4. This is for you to ponder.
5. Opinion is likely to run the spectrum from everyone should have access to only the patient and physician should know. You can make a strong case either way. If insurance companies and employers know, we run the risk of genetic discrimination. If only patients and providers know, we run the risk of adverse selection. Setting up high-risk pools or requiring community-rated premiums are ways to deal with the outcomes.
6. We did this one in class.
7. We did this one in class.
8. Rather than prepare six sample memos, let's focus on what to expect from your students. This question allows them to really begin to integrate their economics with an important policy issue. The commission currently studying Medicare reform will likely be looking at these three approaches as part of the Medicare reform to ensure its future solvency. Students recommending a freeze in fees and mandatory assignment should address the economic issues presented in "The Impact of Medicare Assignment on Medical Practice" beginning on page 427. Those suggesting encouraging elders to join managed care organizations should address the issues dealing with fixed-budget systems. Those suggesting medical savings accounts will have read about them elsewhere. The formal discussion of MSAs does not appear until chapter 16.
9. These terms are defined in the glossary to the textbook.
10. DRG payments are prospective payments, determined before services are provided. They create incentives to hospitals to provide only medically necessary care, but may result in the denial of beneficial care.
11. "The Economics of Price Controls" beginning on page 457 answers this question.
12. We did this one in class.
13. This one will appear on the exam.
14. This one is for you to ponder.
15. Probably both.
16. Know your current events and keep abreast of proposed legislation by visiting the web site on the Internet.
17. The elderly and indigent have a legal right to medical care created by federal entitlement programs, including Medicare and Medicaid. If you define rights according to the natural rights philosophy, if you don't pay for it, you have no right to it. Hawaii has gone one step further by mandating coverage (thanks to an ERISA exemption) and Oregon has set limits on Medicaid spending based on cost effectiveness.