**Government and Health Care**

Why do people buy insurance for health care consumption but not for other goods such as food?

Give examples of positive externalities generated by the consumption of health care.

Explain the concept of moral hazard in the context of acquiring health insurance. How do insurance copayments work to address the problem of moral hazard?

Define adverse selection in the context of health insurance.

Use the [worksheet](http://milesfinney.net/433/handout/adverse_selection.xlsx) to explain why the problem of adverse selection increases costs for insurance companies.

What is meant by an insurance death spiral?

Use adverse selection to explain why 85% of private health insurance in the US is group employer-based insurance.

Explain why many people do not support markets to allocate scarce health care resources.

What are some of the reasons the US spends more per capita for health care than other countries?

What feature of the Affordable Care Act (ACA) was responsible for the largest part of the recent decrease in uninsured in the US?

What are the major features of the state level exchanges created by the ACA?

Explain why it was important for the ACA to [define what health insurance was](https://archive.nytimes.com/www.nytimes.com/interactive/2013/10/30/us/why-some-people-cant-keep-their-insurance-plans.html?_r=0&smid=tw-nytimes).

Explain how in theory, the three provisions of the ACA for non-group insurance are supposed to work together.

1. Mandate that every adult indicate that he (she) and his (her) dependents have health insurance.
2. Insurance companies will no longer be allowed to use an applicant’s existing health condition in deciding on insuring the person.
3. Insurance companies will no longer be able to set premiums for individual cases based on expected cost. Insurance firms will be allowed to set single premiums only for broadly defined categories of customers.

The system of fines that were part of the insurance mandate was rescinded by 2017 legislation. How is this in theory supposed to exacerbate the adverse selection problem for non-group health insurance?