**Module 4: Supply and demand**

**Principles**

* **Understand price discrimination, cost shifting, and arbitrage**
* **Understand Supply/demand/market equilibrium** 
  + Describe supply/demand/market equilibrium (law of supply/demand)
  + Understand the buyers/suppliers in health & who is mainly responsible for determining market equilibrium in health care.
  + Understand the production possibilities frontier and its relationship to the supply curve
  + Understand *ceteris paribus*
* Stability of the market
  + Understand how the invisible hand works for supply and demand
  + Understand what happens during instability and how to correct it
    - Excess supply
    - Excess demand
* **Understand types of demand**
* **Understand how the government can effect supply and demand (price control)**
* **Supply and demand shifts**
  + What are the 5 demand shifters
  + What are the 6 supply shifters
  + What happens to P/Q in a D/S shift
* Understand elasticity of demand and price sensitivity
  + Describe 3 ways to determine PE
  + Determine which medical service/good is inelastic versus elastic
* Describe and understand fixed supply/fixed demand curve

**Actions**

1. **Draw, label, calculate answer questions regarding** 
   1. Demand/Supply/Market equilibrium
   2. Production Possibilities frontier
   3. Shortage/surplus
   4. Price ceiling/Price flooring
   5. Shift in demand/Shift in supply
   6. PED
   7. Elastic/Inelastic curves
   8. Fixed supply/Fixed demand
   9. Surplus

**Book:**

Chapter 2: Supply & Demand & Price discrimination

**PowerPoint (These are mislabeled at Module 2 = but they are Module 4)**

* Mod.4.1 = 1-3, 8-10
* Mod.4.2 = All
* Mod 4.3 = All
* Mod 4.4 = All
* Mod.4.5 = All
* Mod.4.6 = All
* Mod.4.7 = 1,4,5

Practice problems = See handout

**Additional readings**

* Anderson, Gerard F. (2007). “From Soak the rich to soak the poor” Recent trends in hospital pricing,” Health Affairs, May/June, 780-789
* Frakt, Austin (2011, March 11). Simply put: price discrimination and cost shifting. *The incidental economist,* Retrieved from <http://theincidentaleconomist.com/wordpress/simply-put-price-discrimination-and-cost-shifting/1>), 90-130.
* [Statewide health care insurance plan task force: Elasticity of the demand for health care services](https://www.evernote.com/shard/s399/res/cf33078b-a933-4204-9485-960270d92e87/FinalElasticity_2.pdf)
* Ringel, Jeanne; Hosek, Susan; Vollaard, Ben A., and Bahnovski, Sergej (2005). The elasticity of demand for health care: A review of the literature and its application to the military health system. *RAND.* Retrieved from <http://www.rand.org/content/dam/rand/pubs/monograph_reports/2005/MR1355.pdf>
* CASE FOR PRICE CEILING: <http://thehealthcareblog.com/blog/2009/07/27/the-case-for-price-ceilings-for-health-services/>
* [The economics of health care](https://www.evernote.com/shard/s424/res/dda7416e-4cf3-4ab6-9159-3a5a41f9ca1f/Chiang%20Health%20CareEconomics%20Global%20Networks.pdf)
* [Supply, demand, and health care](http://www.libertarianleanings.com/2010/04/supply-demand-and-health-care.html)
* Kessel, Reuben (1958). Price discrimination in medicine. *Journal of Law and Economics,* 1, 20-53.
* [The AMA and price discrimination in medical care](http://www.sjsu.edu/faculty/watkins/AMAdiscrimination.htm)
* [Ending hospital price discrimination against the uninsured](http://economix.blogs.nytimes.com/2009/09/04/ending-hospital-price-discrimination-against-the-uninsured/?_r=0)
* Multiple articles: [Healthcare economists](http://healthcare-economist.com/tag/price-elasticity/)
* [The demand for health care and the derived demand for registered nurses](https://www.evernote.com/shard/s380/res/cc649786-6cf1-47a3-b66f-8d9acfc3e5f3/BuerhausTheDemandforHealthCareandDerivedDemandforRNs.pdf)
* Implant ceiling prices: [Memorial healthcare system’s experience](https://www.evernote.com/shard/s426/res/33292fca-7651-4741-805d-1cf1d208da8f/memv7n3.pdf)
* [Employer health care price ceiling effort hits snags](http://www.bizjournals.com/milwaukee/stories/2004/05/17/story8.html?page=all)
* [Nothing wrong with price ceilings](http://thefreedombulletin.com/tag/price-ceilings/)
* Obamacare: [Price controls, rationing, less innovation, and less freedom](http://www.freerepublic.com/focus/news/2311923/posts)
* Multiple articles: [Aplia Econ Blog](http://econblog.aplia.com/search/label/Elasticity)
* [Price floors and ceilings](https://www.evernote.com/shard/s42/res/a0b79005-0da9-4638-a8c1-c1e349726d0e/101Chapter08.pdf)
* Multiple articles: [Price ceilings and/or price floors](http://freedomkeys.com/pricecontrols.htm)
* Multiple articles: [Valuing economics](http://valuingeconomics.blogspot.com/search/label/Complements%20and%20Substitutes)

Additional videos

* [Obamacare Price Discrimination](https://youtu.be/PHDGirAdoy8)
* Elasticity of demand): <https://www.youtube.com/watch?v=4oj_lnj6pXA>
* [Simple supply and demand](https://www.youtube.com/watch?v=eT7VDPrQwIc)
* MARKET EQUILIBRIUM: <https://www.youtube.com/watch?v=W5nHpAn6FvQ>
* SUPPLY AND DEMAND (SURPLUS/SHORTAGE): <https://www.youtube.com/watch?v=eT7VDPrQwIc>
* PRICE CEILING/PRICE FLOORING: <https://www.youtube.com/watch?v=XgBPAucs-W4>
* [Perfect inelasticity and perfect elasticity of demand](https://youtu.be/6udRtn5jSWk)
* SHIFTERS: <https://www.youtube.com/watch?v=eBD5hQVwi2o>
* SUPPLY AND DEMAND: <https://www.youtube.com/watch?v=8-yWKgZv9JY&list=TLRvHgGbVFmjM>
* Price floor and surplus: <https://www.youtube.com/watch?v=zjXwvQz7f2o>
* [Elasticity](http://dirkmateer.com/topic/Elasticity): Dirk Mateer
* Price Elasticity: <https://www.youtube.com/watch?feature=player_detailpage&amp;v=VhKI8cOaYLI#t=193>
* [Supply and demand shifters](https://www.youtube.com/watch?v=TEsp7CzsOU0)

Assignments

* [A lesson the supply and demand of toy fads](http://www.econedlink.org/lesson/961/)
* [The wage is right](http://www.econoclass.com/wageisright.html)
* [Introduction to supply and demand](http://econport.org/econport/request?page=web_experiments_modules_supplydemand)
* [The Snicker Effect](http://w3.marietta.edu/~delemeeg/expernom/Fall2001/hill.html)
* [Law of unintended consequences](http://www.econoclass.com/unintendedconsequences.html)
* [Demand and supply](http://econport.org/content/teaching/modules/DemandSupply.html)
* [A real life experience with supply and demand](http://w3.marietta.edu/~delemeeg/expernom/s94.html#dam1)
* [Demand curves](http://w3.marietta.edu/~delemeeg/expernom/s97.html#ortmann)
* [Demand shifters](http://www.econedlink.org/lesson/550/)
* Money instructor: [Supply and demand](http://www.moneyinstructor.com/wsp/supplydemand.asp)
* Money instructor:  [law of demand](http://www.moneyinstructor.com/lesson/lawofdemand.asp)