

Equity and Health

Health Economics Lecture 7



Outline

- Limitations of the traditional economic model of why and how we care about other people
 - Edgeworth box
 - What matters in the box
 - What matters outside the box
- Beyond utilitarianism to extra welfarism
 - John Rawls
 - Amartya Sen
 - Rule of rescue
 - Desires of donors
- What to do?

Ancient problem

- How do we divide the pie?
 - Equity is “equality of something”
 - Not obvious that it should be equality of pie



Vexing answer

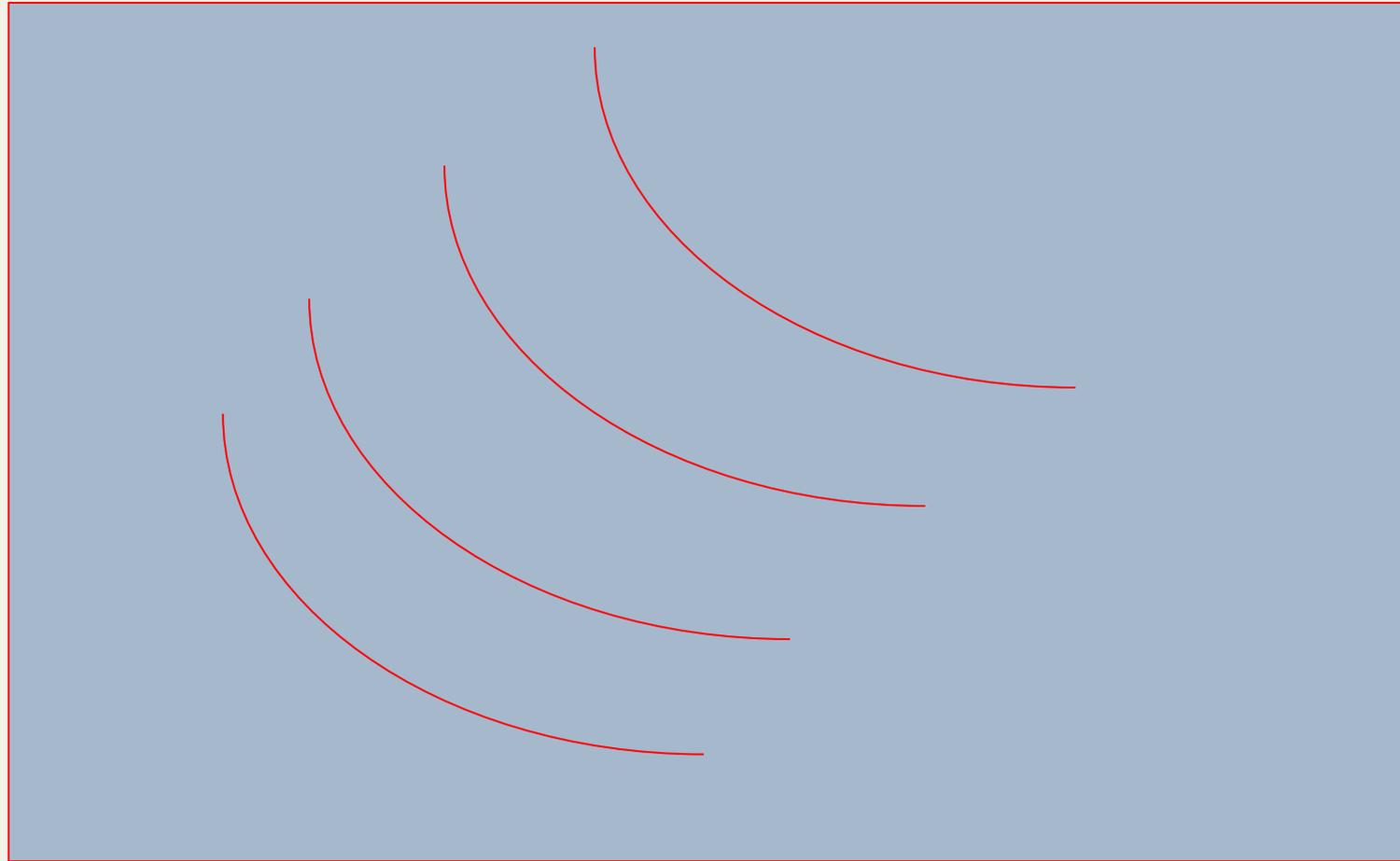
- Cicero sums up the great debate:
 - A. Call that which is equal, “just” (Outcome Oriented)
- OR
- B. Call that which is just, “equal” (Structure/Process Oriented)
- A. Ignore process and focus work on equalizing outcomes
Left wing
- B. Focus on fair process and ignore outcomes
Right wing

Bargaining



Edgeworth Box (Ariel)

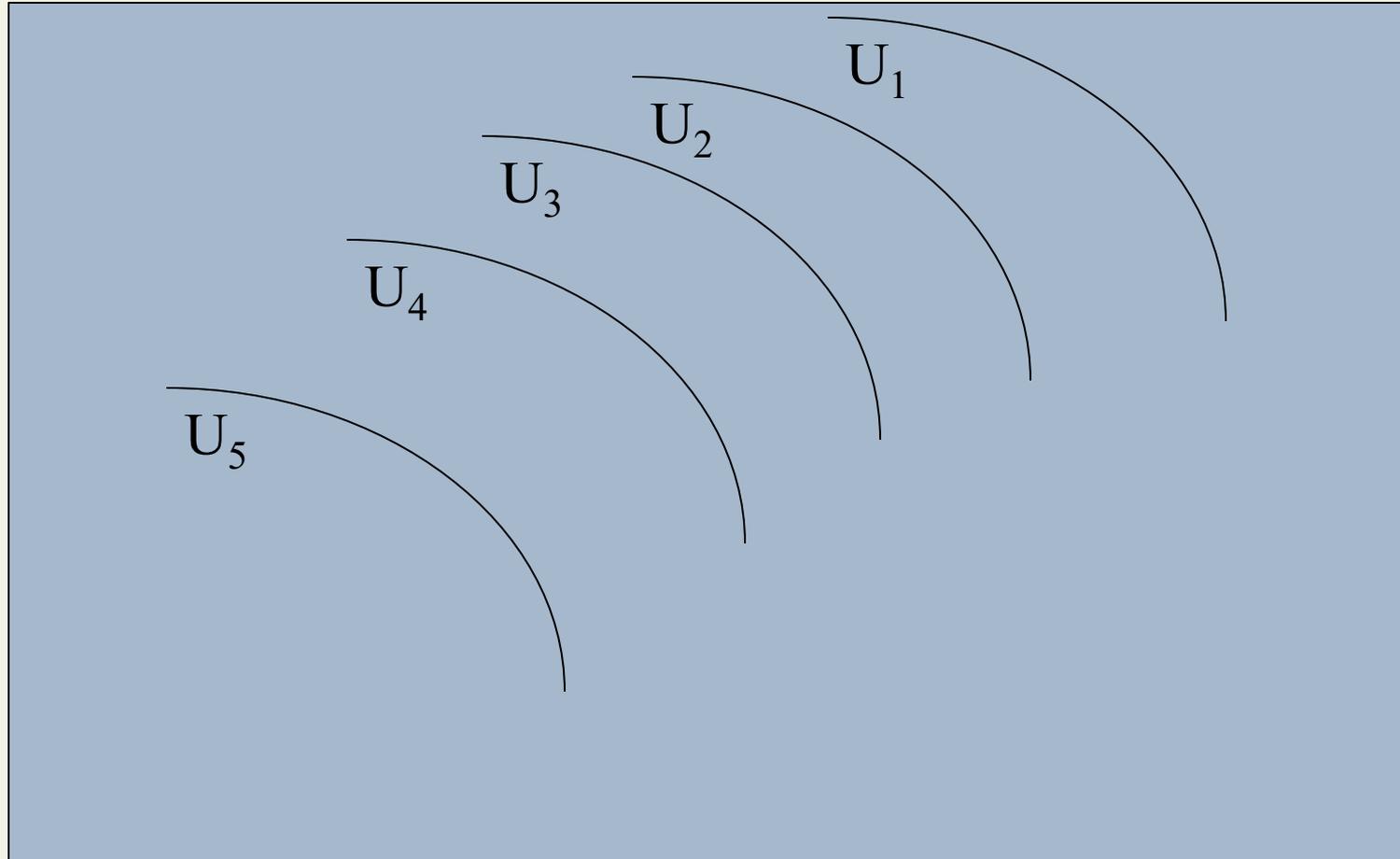
← More Good Y for Ariel ←



→ More Good X for Ariel →

Edgeworth Box (Ursula)

← More Good X for Ursula ←

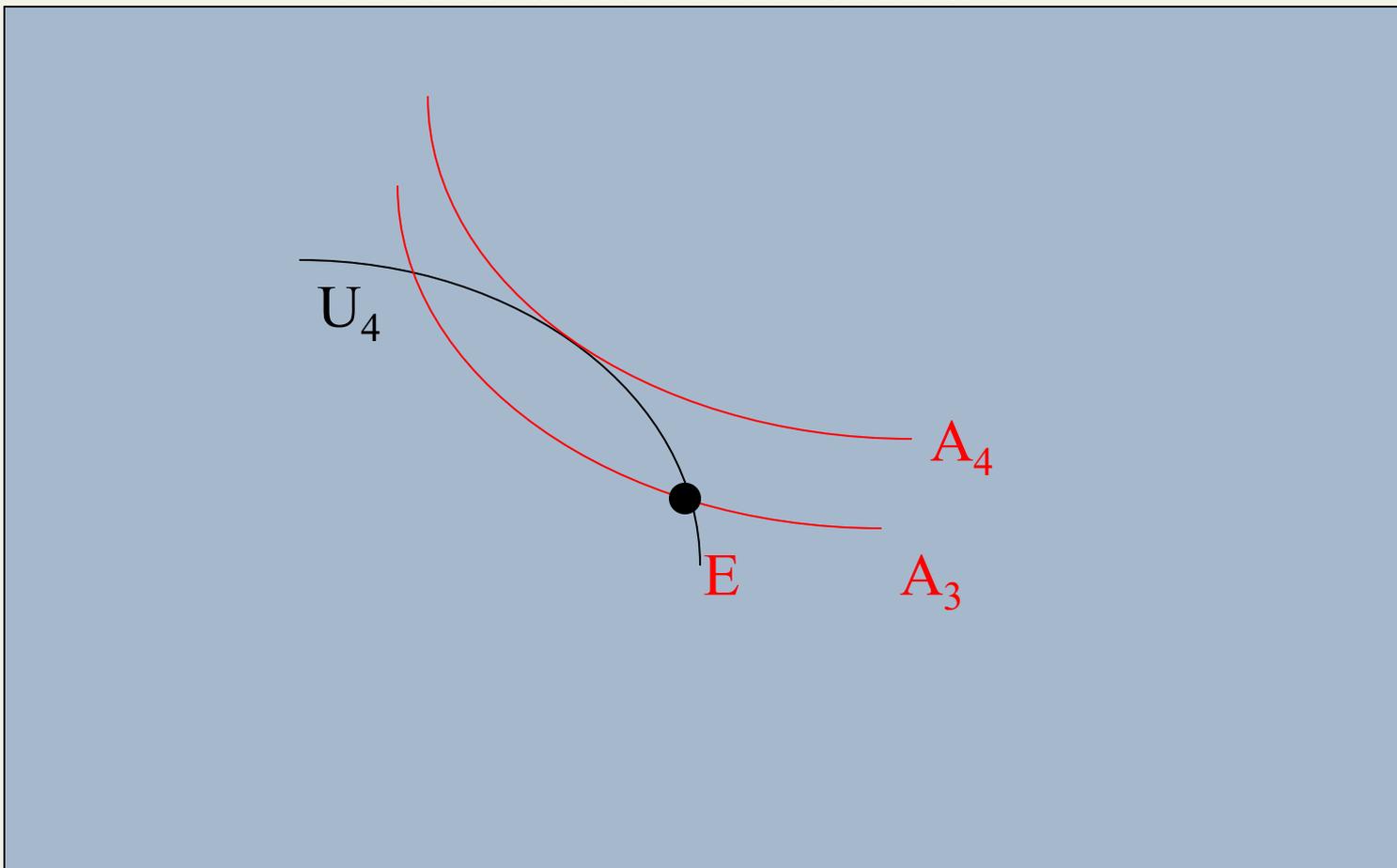


→ More Good Y for Ursula →

Edgeworth Box (Together)

← More Good X for Ursula ←

→ More Good Y for Ursula →



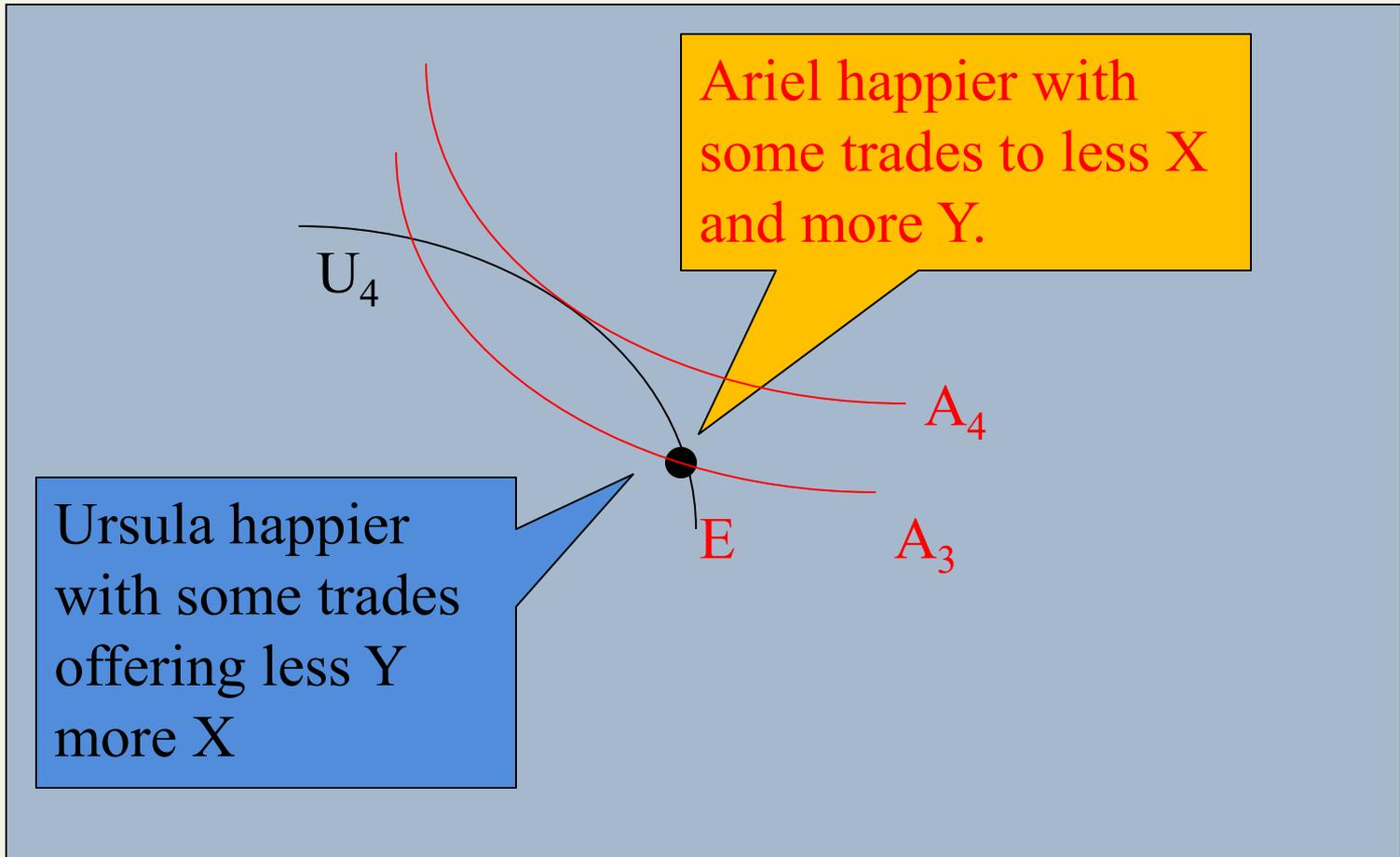
← More Good Y for Ariel ←

→ More Good X for Ariel →

Edgeworth Box: Trade inside “core”

← More Good X for Ursula ←

← More Good Y for Ariel ←



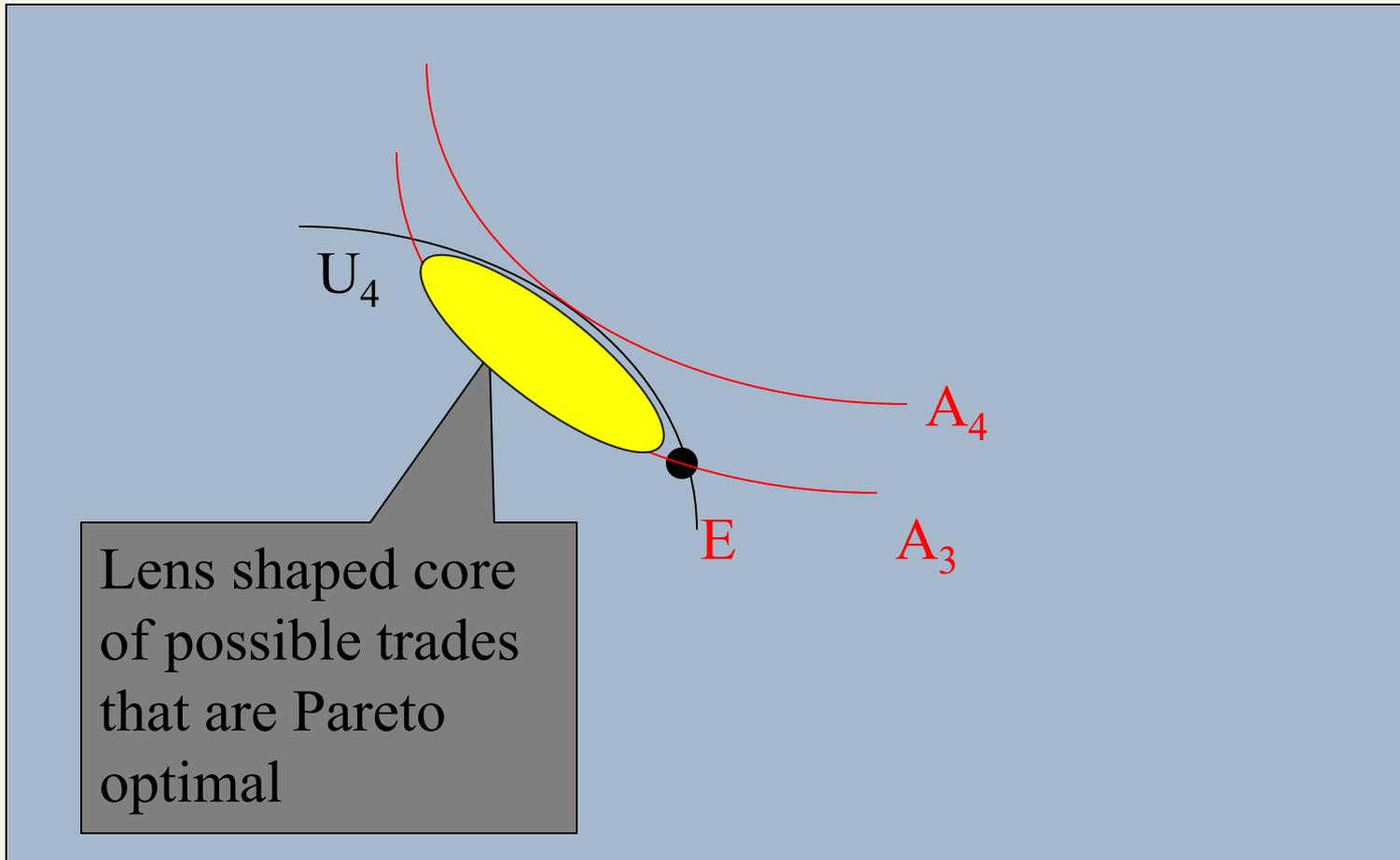
→ More Good Y for Ursula →

→ More Good X for Ariel →

Edgeworth Box: Trade inside “core”

← More Good X for Ursula ←

← More Good Y for Ariel ←



→ More Good Y for Ursula →

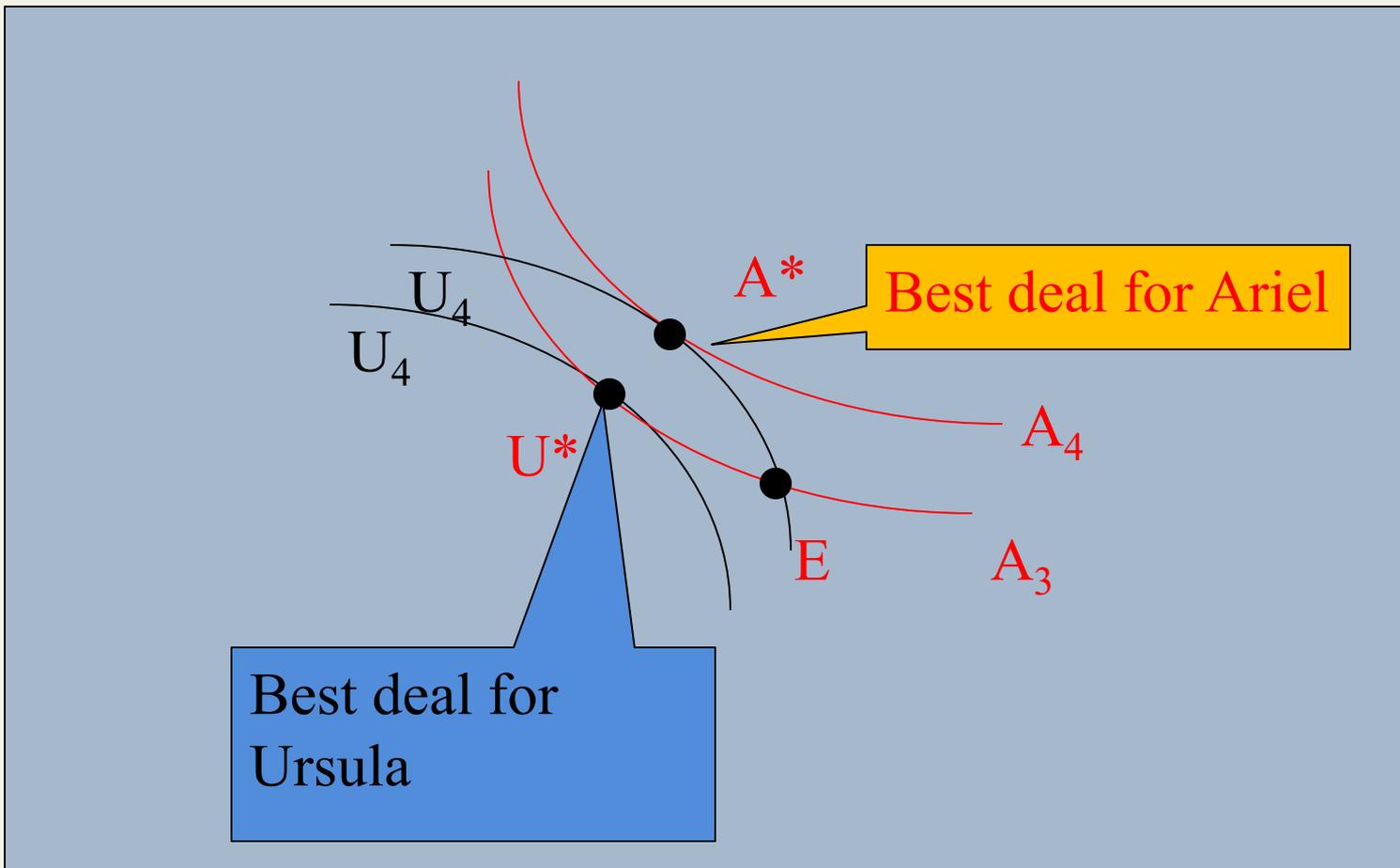
→ More Good X for Ariel →

Edgeworth Box

← More Good X for Ursula ←

← More Good Y for Ariel ←

→ More Good Y for Ursula →



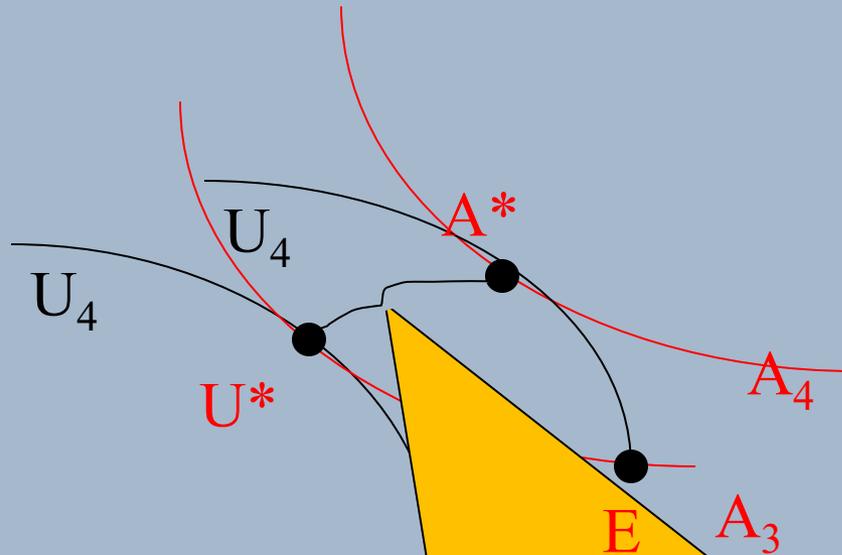
→ More Good X for Ariel →

Edgeworth Box

← More Good X for Ursula ←

← More Good Y for Ariel ←

→ More Good Y for Ursula →



A^*U^* “contract curve” of Pareto optimal points that are best for both. Points here are stable against further trading.

→ More Good X for Ariel →



The Edgeworth Paradigm

- First welfare theorem: allow them to bargain freely and they will end up inside the core
- Second welfare theorem: if you want Ariel to do better shift the endowment point

Thinking outside the “box”

- Edgeworth assumes that *everything* in life that matters is consumption
- $U(\text{Good X, Good Y})$ is all there is to Ariel and Ursula
- Does anything else matter?



What matters in bargaining?

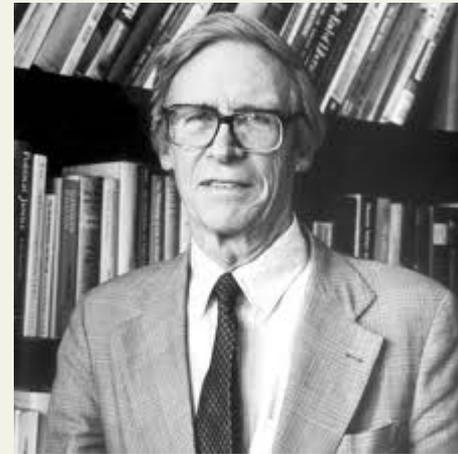
- Facts
- Feelings
- Identity
- Who has/does what
- How it feels
- How it defines you



Section 2: Extra welfarism

John Rawls *Theory of Justice* 1971

- Concerned about the process of dividing the pie
- How should a society devise institutions that we can consider fair?



Original Position: Veil of ignorance

- Identity of authoritative deciders on fairness principles
 - Unborn souls
 - Fully rational
 - Each about to live full life spans
- Meet behind veil of ignorance to vote on social institutions for their society
- They don't know who they will be

What Rawls says will happen

- They don't bargain about stuff
- They propose "institutions"
- Require unanimous approval
 - Round 1) Ursula proposes "Blue octopi rule"
 - Etc...
 - Round 43) Ayn Rand proposes fix the 14 propositions and let first welfare theorem work
 - Etc...
 - Round 583) JR proposes: "2 principles"
 - Unanimous endorsement
 - Unborn souls go out to incarnate that world

Rawls' Two Principles of Justice

- Principle 1: Each person has an equal claim to a fully adequate scheme of basic rights and liberties,
- Principle 2: Social and economic inequalities can be allowed if A) They are attached to positions open to all; B) *They are of greatest benefit to the least advantaged*
 - *B is “Maximin” principle*



Example:

- Sex bias observed in allocation of food in Bangladeshi families (Chen 1981)
 - Males got more calories
 - Maximin might find this OK

Amartya Sen

- “Development” is a society’s development of its citizen’s capability to do things
 - 1)Have unhindered political participation
 - 2)Unhindered participation in the economy
 - 3)Access to social resources (health care, schooling)
 - 4)Contract agreements in good faith
 - 5)Get help when necessary
- Should measure countries’ success on these 5 criteria, Not GDP/Capita
- Forsakes “cardinal” measures of welfare
- Expand the reach of these freedoms in a society

Feelings and fairness

- Rescuing 33 miners for \$20 million
- \$600,000 per miner

The rule of rescue: willingness to pay to save identified lives is worth more than statistical lives



Who gets saved?



Making sense of the rule of rescue

- How does this make sense?
 - Availability heuristic
 - We are more able to make sense of facts if they come with stories we can relate to
 - Saving miners with faces makes the life saving more tangible to decision makers
 - Observers of the rescue “feel” good A) They get an identity of vicarious “rescuing” B) They get the sense that their government will never give up on them even if they have expensive VSLs

Altruism driven by three kinds of utility

- Goods utility
 - Stimulation of the five senses
- Participation utility
 - A satisfaction from feelings of connectedness
- Identity utility
 - A satisfaction from who you get to say you are



Section 3: What to do



Equality of what?

- Equality of process and outcomes
 - Both need attention
- Equal process does not necessitate equal outcomes



Process vs. Outcome

- Process Equity Achieved When
 - Everybody has same chance of getting medical services when sick, preventive services when well
 - The measures of process quality show similar quality of services for everybody
- Outcome Equality Achieved When
 - Everybody rates their health status the same
 - Everybody has same death risk

Policies for Process Equity

- Redistribution
 - Find people who don't have access
 - Give them access
 - Funding access for the disenfranchised can be done selectively or universally
 - Income tested services and outreach vs.
 - Universal health insurance, universal vaccination



Process equity and Outcome equality

“Equitable” structures often lead to both unequal processes and unequal outcomes

Whitehall Study

- Developed country data not encouraging
 - UK provided NHS: Everybody in England has an insurance card, regardless of income
 - Providers identified and located for everyone
 - Whitehall hypothesis: SES mortality differentials would be narrowed after NHS
 - THEY WERE NOT



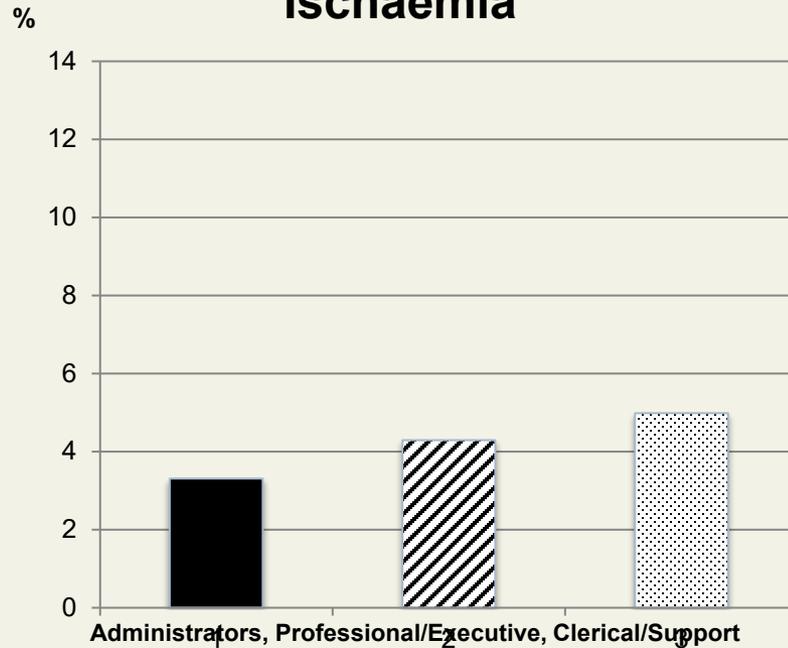
Whitehall I vs. Whitehall II

- NHS founded in 1948
 - In 1968 men age 40-54 will have had 20 years of exposure to NHS
 - In 1988 men will have had full dose of social equity in access to care.
-
- NHS unable to narrow gradients

Comparing Whitehall One and Two: ECGs

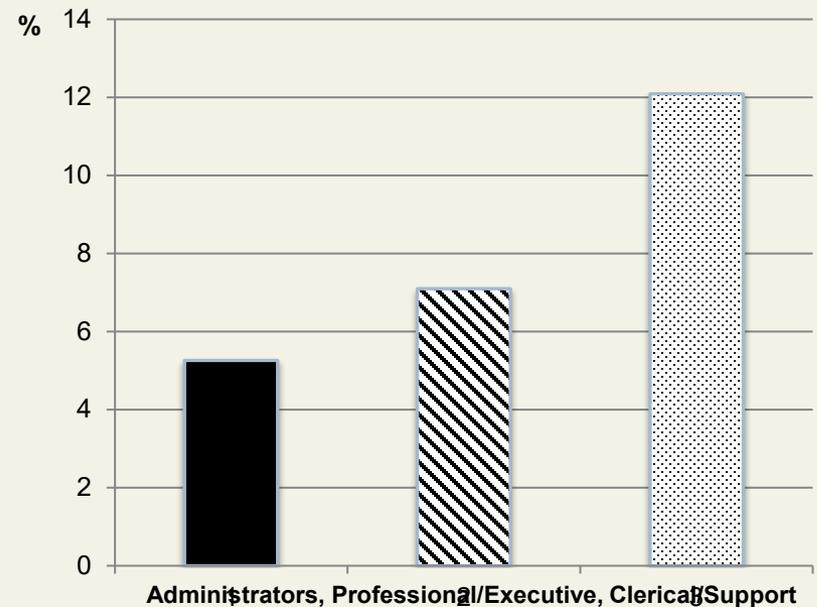
1968—After 20 Years of NHS

Probable and Possible ECG Ischaemia



1988—After 40 Years of NHS

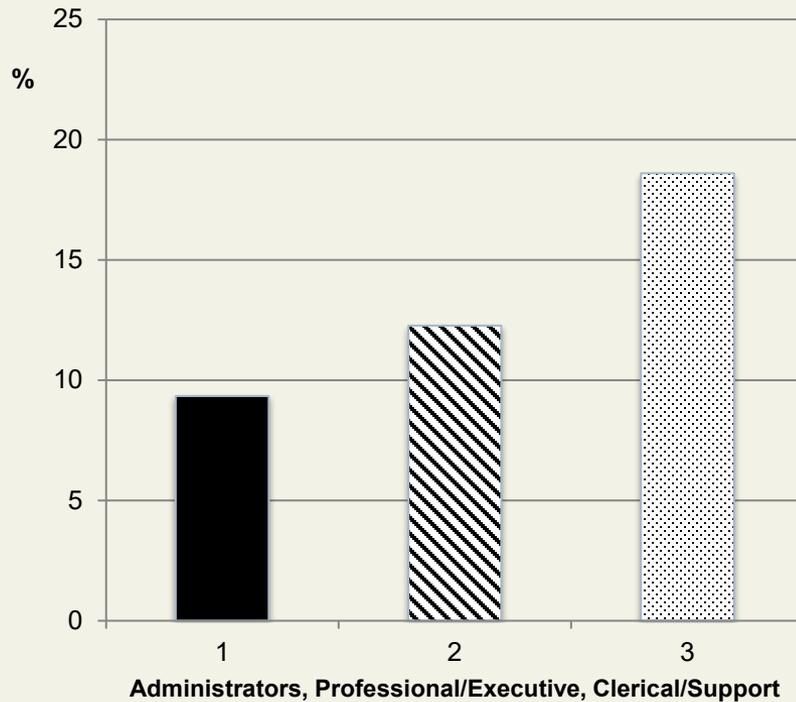
Probable and Possible ECG Ischaemia



Comparing Whitehall One and Two: COPD

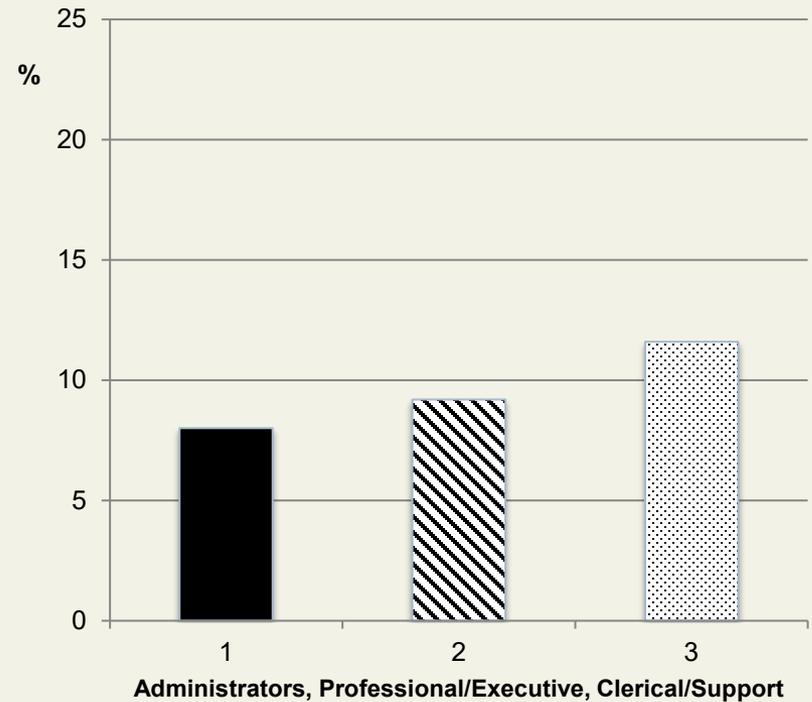
1968—After 20 Years of NHS

Chronic Bronchitis



1988—After 40 Years of NHS

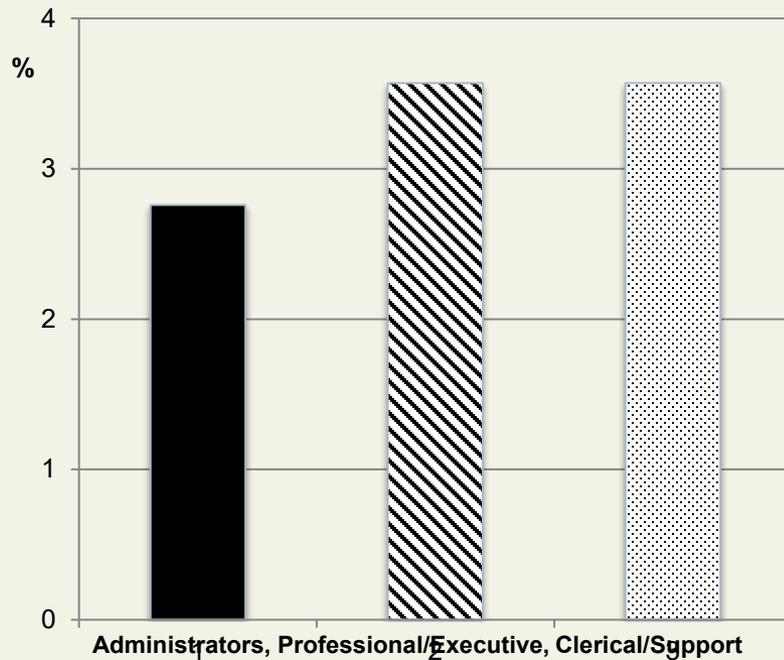
Chronic Bronchitis



Comparing Whitehall One and Two: Angina

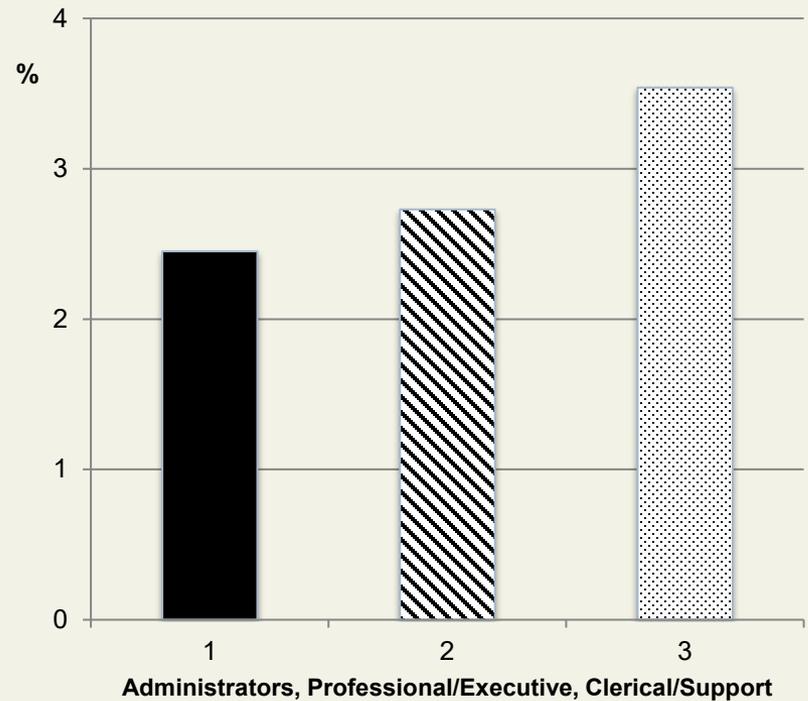
1968—After 20 Years of NHS

Angina Pectoris



1988—After 40 Years of NHS

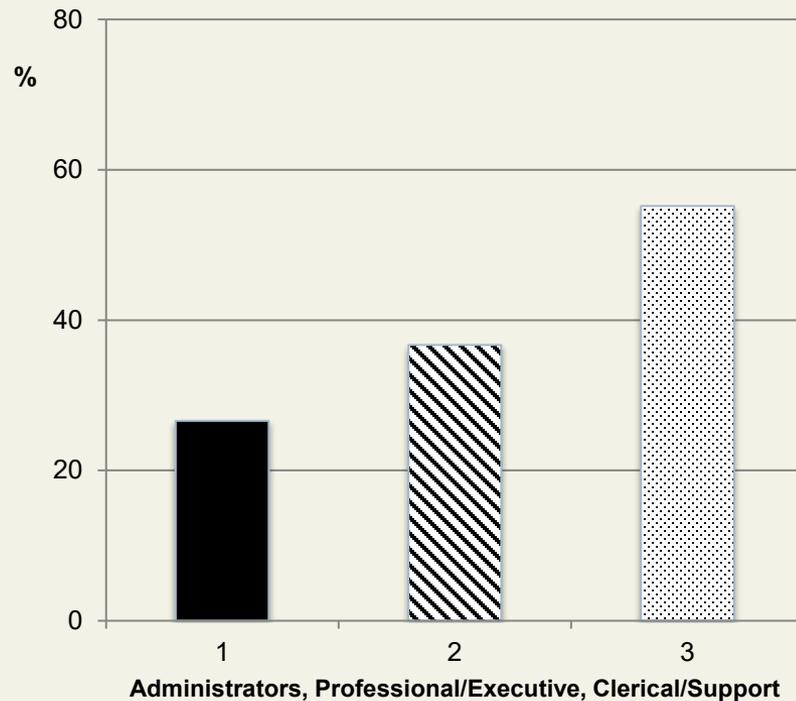
Angina Pectoris



Comparing Whitehall One and Two: Cigs

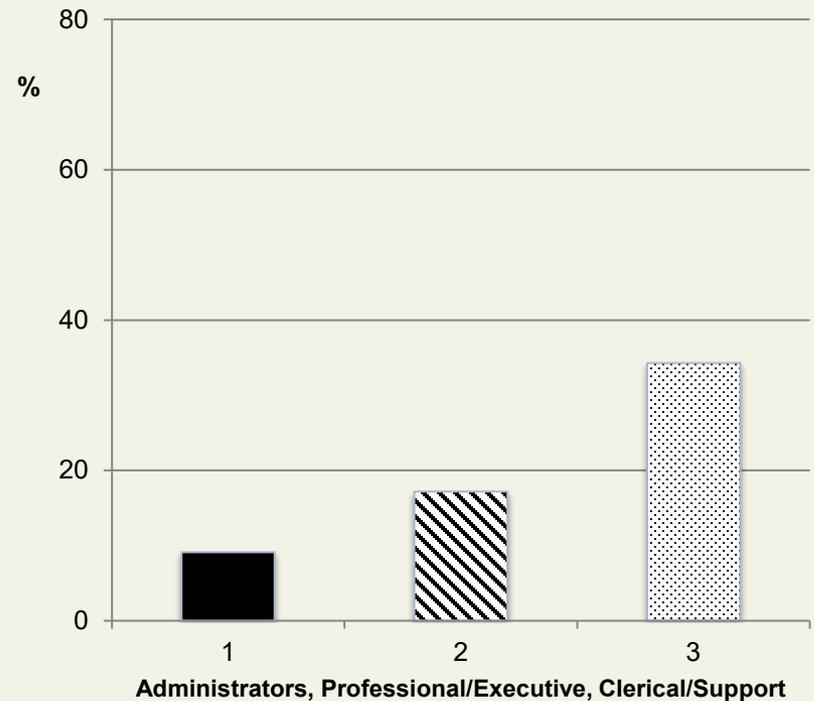
1968—After 20 Years of NHS

Current Cigarette Smokers



1988—After 40 Years of NHS

Current Cigarette Smokers



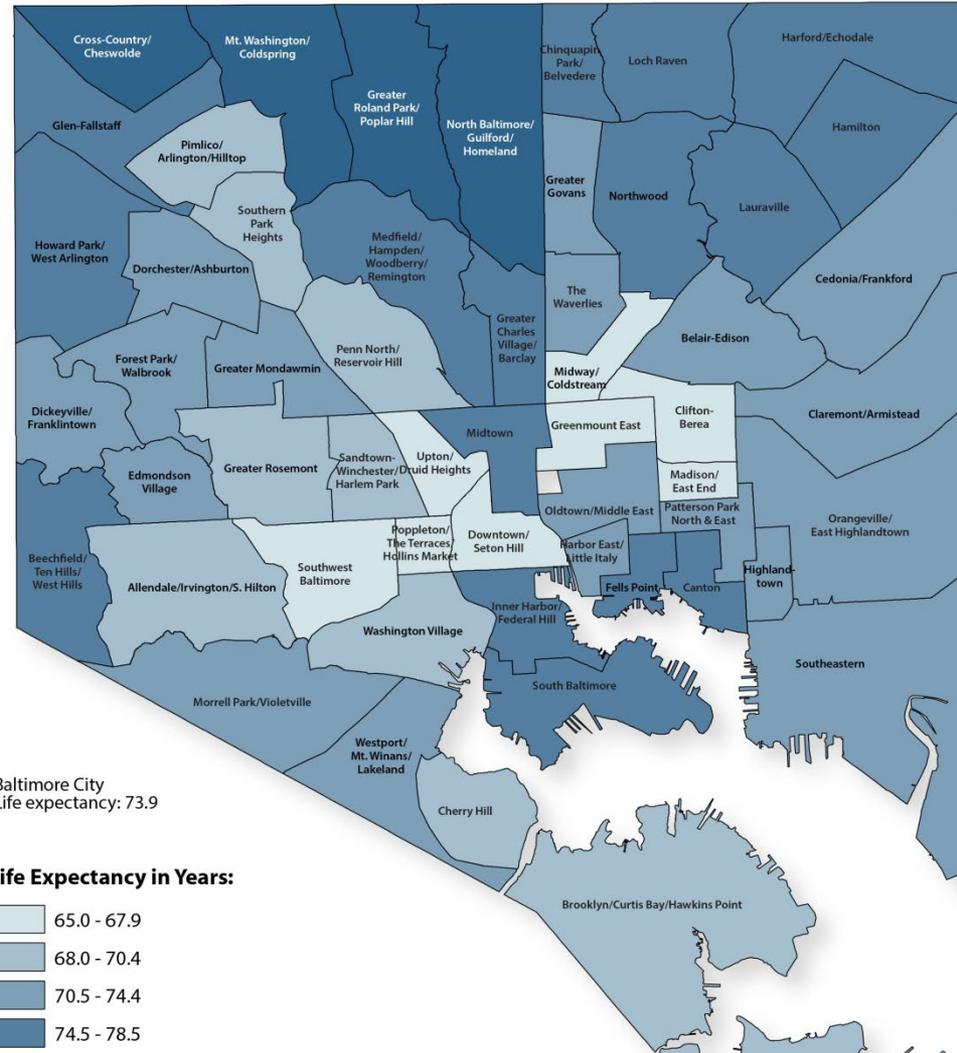


Ways to pursue equity

- Targeting: Initiates an unequal process to help the less well off get better outcomes
- Blanketing: Initiates an equally distributed process
- Engaging: Involving everybody in the community to get together and identify their shared problems and solutions

Inequality B'More

Life Expectancy at Birth By Community Statistical Area, 2012



Targeting

- B'More for Healthy Babies
 - Antenatal services outreach for racial minorities (“Closing the Gap”)
- Medicaid
- Baltimarket



Blanketing

- Clean water for everybody
- Health education in all public/private schools
- Safe hospitals, roads, consumer products for everyone



Community Engagement?

- A lost art
- Requires facilitation and convening



Summary

- Equity involves movement beyond “goods utility”
 - This is extrawelfarism
- Moral concerns driving a concern for equity include the altruist’s feelings and identity
 - Expect to see anomalies like rule of rescue and paternalistic altruism
- Policies to achieve equity need to consider both process equity and outcome equity
 - Targeting (Unequal process, More Equal Outcome)
 - Blanketing (Equal process, ? Outcome)
 - Engagement