Issue 46, Fall 2009

o summarize the previous article (Alumni News, Issue 45, Spring 2009), the problems that were discussed were poor information regarding price and quality, distorted incentives that lead consumers to minimize price considerations and over- consume health care, the public good aspect of medical research and the positive externalities associated with some medical treatments, limits on competition, and the fact that insurance is tied to employment.

To these, I would like to add distorted incentives that are created for health care providers by the current reimbursement scheme. Since doctors and hospitals are reimbursed for individual services, they have little incentive to minimize quantity. For example, if a patient checks into a hospital for an appendectomy and contracts a minor infection which requires he stay an extra night and receive additional treatment, the hospital does not suffer because it simply charges the insurance company for the extra services. If providers received payment for overall goals, rather than for individual services, then they would have an incentive to achieve the goal while minimizing costs.

What should be done to fix these problems? To answer this, it is important to note that all the problems except the public good and positive externalities issues stem from the involvement of health insurance. Perhaps the most straightforward fix would be to outlaw health insurance. Without health insurance, individuals would carefully consider the price and quality of potential care and avoid provid-Yfg'k \c'XcbMidfcj]XY'\][\'ei U']hmgYf! vices for low prices. Individuals could ÎgY'Z']bgi fYI'VmgYh]b['a cbYmUg]XY'gdY! cifically for medical care. The government could encourage this with tax incentives or simply require certain levels of savings. The public good aspect of medical research and the treatments associated with positive externalities could be subsidized to encourage those activities.

H\Yilbci]bgi fUbWlidiUbik ci 'XidfcVUVim be very attractive to many people if they knew how much their health insurance actually costs. The average cost of a family health insurance policy is currently just over \$13,300. This means that, on average, a family is spending more than \$13,000 per year on health insurance plus whatever it spends on deductibles, co-payments, and services that are not covered. This plan would also reduce health care expenditures by eliminating all the costs associated with health insurance administration and billing.

A few concerns with this plan will probably arise. What about people who have significant medical problems before they have the chance to establish a sufficient



balance in their health savings plan? The government could allow for deficit spending from health savings accounts. What about necessary treatments that cost hundreds of thousands of dollars? The government could maintain a fund for catastrophic expenses and dispense the funds via the federal tax code, or allow for insurance which only kicks in after a family pays more than a certain amount in medical costs in a year. Key to maintaining price incentives is to have co- pays be a percentage of cost so patients would still look for the lowest cost, highest quality treatment.

Dr. James J Jozefowicz was elected President- Designate and Dr. Stephanie M. Brewer Jozefowicz was elected Secretary of the Pennsylvania Economic Association at the Annual Conference held at the West Chester University of Pennsylvania in June 2009.

Dr. Sarah E. Jackson dfYgYbhYX i15ggYgg]b[ih\Yi=a dUWhicZ: Ua]`mi 5]Xicbi7c``Y[YiDYfg]ghYbWYI Uhih\Yi&\$\$- iDYbbgmj Ub]U'9Wbbca]W Association Meeting held at the West Chester University of Pennsylvania in June 2009.

Dr. Todd B. Potts spent four weeks this past summer participating in the Visiting Scholar Program at Kyungpook National University (KNU) in Daegu, South Korea. (See story on page 5.)

Dr. Jack D. Julian was granted tenure effective with the Fall 2009 semester.

Dr. James J Jozefowicz was promoted to Professor effective with the Fall 2009 semester.

Dr. Yaya Sissoko presented a research paper entitled "Current Account Sustainability of ECOWAS Countries," co- authored with Niloufer Sohrabji, at the 68th International Atlantic Economic Society (IAES) Annual Conference held in Boston, MA, October 8 1 11, 2009.

Dr. Stephanie M. Brewer Jozefowicz and **Dr. James J Jozefowicz**, Co-Directors of the IUP Center for Economic Education, attended the Council for Economic Education Annual Conference in Washington, DC, in October 2009. Stephanie serves as secretary of the Executive Committee of the National Association of Economic Educators (NAEE). Jm serves as Co- Chair of the NAEE Professional Development Committee.

Dr. Yaya Sissoko presented a research paper entitled "The Sources of Real Exchange Rate Fluctuations in Sub-Saharan Africa" at the 32nd Annual Meeting of the Northeastern Association of Business, Economics and Technology (NABET) held in State College, PA, October 29 & 30, 2009.

"K Ygh'5Zf]WUÑg'9j c`j]b['7ca dYh]h]j Y'9l dcgi fY']b'l "G" a dcfh'A Uf_Yhgž" WcUi ! thored by **Dr. David B. Yerger** and **Dr. Yaya Sissoko**, was accepted for publication in the *International Advances in Economic Research*.

Dr. Jack D. Julian dfYgYbhYX Îl g]b['7\]'XfYbÑg @hYfUhi fY'hc 'HYUW '9Wbbca]Wg Zcf'9Uf`m@YUfbYfgï 'Uh'h\Y'&\$\$- '5bbi U`'7cbZYfYbWFcZ'h\Y'BUh]cbU`'7ci bWf' for the Social Studies held in Atlanta, GA, November 13-15. (Co-authored with Ann Marie Rushanan, an elementary school teacher with Akron (Ohio) Public Schools.)



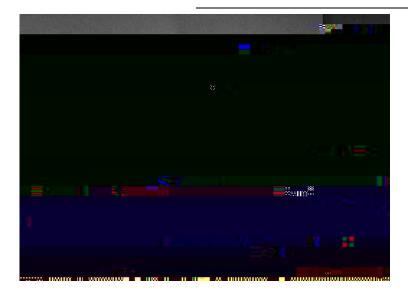
The purpose of the program is to enhance learning by exposing KNU students to professors from around the globe with different perspectives and to explore and promote potential research partnerships between the visiting scholars and KNU faculty. The program has a competitive selection process and I am certainly honored to have been chosen to participate.

During my four weeks at KNU I taught microeconomics to a class of approximately 25 undergraduate students who were among the most diligent, respectful, and hard- working students I have ever had the pleasure of teaching. Also, my host Department of Economics could not have been more gracious and the faculty went out of their way to make my time at work as comfortable and enjoyable as possible. I would certainly welcome the opportunity to work with them again.

The Office of International Affairs at KNU had multiple organized trips planned for the visiting scholars that took us to some of the most beautiful places I have ever been and taught us a great deal about the of the (vi)42f y330ffarna4s

the ubiquitous side- dish of spicy fermented cabbage: kimchi. Ordering in restaurants in Daegu could be a challenge due to the language barrier, but luckily KNU gave us each an assistant to help with such matters and mine (the great Hyeonjo Kim) was a life saver. Finally, if you find yourself dining in South Korea for the first time, be prepared to have your chopstick skills put to the test: South Koreans use metal chopsticks, which are appreciably more difficult to use than the wooden ones!

In closing, the Visiting Scholar Program at KNU was simply outstanding. My host department was very accommodating, my students were a joy to teach, and South Korea is a beautiful country with a storied past whose people are some of the warmest and friendliest I have met. I am thankful $h \ Uh' = DMg'CZZ W'CZ' = bh'fb Uh c b U' \cdot 5 ZZU fg'a UXY'ci f'XYdUfha Ybh'Uk UfY'cZ' such an outstanding program, and I hope that either one of my colleagues or a mgY'Z' Uj Y'h Y'W UbW'hc 'd Ufh Wd UhY'U[U]b 'h Y'Z h fY'''$



Dr. Todd Potts (left) won WIUP- : A ୢୖଖ Dancing with the Professors contest at IUP on N667.C5େଉ04JETe0052≇00.86 40 (BT1 0 0 1 1

major to definitely take?

Mihalacki: Top of the list is <u>Econometrics</u> (you will be doing yourself a disservice as an econ major if you don't take this course). I wished I didn't wait for my senior year on this one. I highly recommend it as it is one of the most influential classes I have taken (grad or undergrad). It really helped me in graduate

school in my management and statistics classes. I would also recommend Micro and Macro Analysis, Corporate Decision-Making, and the Economics of Sports (great way to get a new perspective on some of the k cf`XÑg`ZUj cf]hY`gdcfhgŁ" 5g`= said the other night too, I recommend that students try to take as many different professors as possible in the department. Where else will you have the opportunity to get so many different views from so many accomplished economists?

Ayllon: What do you miss most about IUP? What do you miss most about the Department of Economics?

Mihalacki: What I miss most

about IUP is probably the friendships I had with classmates and other ROTC cadets. I think all IUP students love the Oak Grove and I was glad to see it again. I think the campus looks great today also. As far as the Econ Department, I actually miss being part of the Econ Club myself. Seeing the large turnout the other night really made me remember some of the great times I had when the club was smaller and building.

Ayllon: Any advice for current undergraduate econ majors?

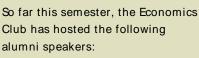
Mihalacki: I gave some advice to the club the other night including tips on networking, handling rejection in interviews, etc. The

> job market is pretty tough these days (trust me, I know). Rest assured that majoring in economics is a wise decision that will serve you well. Don't be afraid to pursue alternatives such as entrepreneurship, grad school, or the military!!

Ayllon: Any advice for current undergraduate students in the ROTC program?

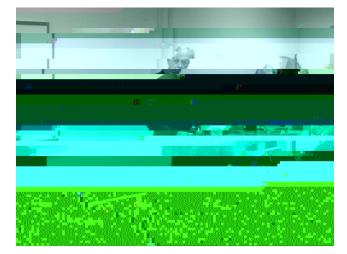
Mihalacki: For the ROTC students-I want to thank you. I know it is not the easiest decision to sign up for ROTC especially when there are two wars going on. I know I always struggled a bit wearing my uniform to classes or seeing my friends get internships while I had to go away for summer training. But please know that it will be worth it on graduation day when you become an Army officer. I'm proud of you!

If you are willing to share your experiences since graduating with an economics degree from IUP, please contact Jm .bzefowicz at .bmes..bzefowicz@iup.edu.



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If you plan to be in the area or live in the area and would be interested in speaking to the Economics Club, please contact Jm Jbzefowicz at James.Jbzefowicz@iup.edu





Steve Mihalacki and D r. Jim Jozefowicz, pose outside D r. J's door. Steve is pointing out an infamous piece of artwork he designed to commemorate his study of econometrics with Dr. Jozefowicz-in(z)b()-2(o)(f)-(f

Plans could not have coverage caps nor restrict coverage or charge higher premiums based on pre-existing conditions. To minimize the adverse selections issue (individuals getting insurance only after they are diagnosed with a medical problem), the government could allow the insurance companies to charge individuals who have not been covered by an approved plan in the previous year higher premiums for, say, three years. Individuals would be free to move between insurance plans or to choose to self insure and go without insurance, but would pay a price for opting out of insurance if they eventually decided to opt in.

Correcting Incentives

Requirements for approved plans could be formulated to deal with the current incentive problems. Deductibles could be set high and/or co-pays would be large and

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