



ACERH

AUSTRALIAN CENTRE FOR ECONOMIC RESEARCH ON HEALTH

SEMINAR

Tuesday, 25 August 2009, 10:05-11:15am

E.S. Myers Lecture Theatre, The University of Queensland
3rd floor, Mayne Medical School Building
Herston Road, Herston

Measurement of preferences for health – theoretical considerations and empirical evidence

Professor Peter Zweifel

Department of Economics, University of Zurich

The Speaker

Professor Zweifel graduated in economics from the University of Zurich in 1974 with a dissertation on empirical research into consumer demand in Switzerland. He first became involved in health economics research during his stay in Madison at the University of Wisconsin in 1974-1975. After one year of service as an invited professor at the University of the Armed Forces in Munich, he became an Assistant Professor of International Economics at the University of Zurich in 1983, and Professor of Economics in 1990. A second edition of his textbook on health economics has recently been published (Zweifel P, Breyer F and Kifmann M, *Health Economics*, Boston: Springer).

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Abstract

The weak spot of Health Economics has always been lack of knowledge about individual preferences with regard to health and health care. Market observations fail to provide credible information because willingness to pay (WTP) is inflated by health insurance, while prices are negotiated or even administered. In addition, physicians like to point to an alleged instability of preferences ("Don't give a damn as long as you are healthy but willing to sacrifice just about any amount as soon as you are sick"). This presentation first seeks to show that observed instability of WTP need not reflect any instability of preferences but rather be the consequence of individual production possibilities conditioned on the state of health. It then goes on to argue that experiments (especially of the conjoint Discrete Choice type) provide reasonably reliable evidence about consumers' WTP for things ranging from mundane hip protectors to Managed Care features in health insurance. WTP values increase with income, increase with the probability of actually suffering the health (or wealth) loss, and increase then decrease with age, very much as predicted by economic theory. Thus, experimental measurement of preferences may close the open flank of Health Economics in the future.