



ACERH

AUSTRALIAN CENTRE FOR ECONOMIC RESEARCH ON HEALTH

SEMINAR SERIES

Wednesday, 8 November 2006, Noon – 1:00pm

Board Room, Building 54c (new JCSMR Building)

Garran Road

The Australian National University

Welfare effects of banning genetic information in the life insurance market: the case of BRCA 1/2 genes

Dr Julia Witt

Research Fellow

Melbourne Institute of Applied Economic and Social Research

THE SPEAKER

Dr Julia Witt is a Research Fellow at the Melbourne Institute of Applied Economic and Social Research in the area of Health Economics, a position she has held since September 2005. She holds a PhD in Economics from the University of Guelph, Canada. Her areas of interest include how to decide what services should be covered in a publicly funded health care system, quality of life measures, effects on welfare of, and demand for, life insurance and individual decision-making models. Her current research focuses on shortages in the labour market for nurses, measuring hospital quality and the effects of domestic violence on households.

ABSTRACT

This paper is a contribution to the debate about whether regulations that ban insurance companies from access to individuals' genetic tests may lead in the near to medium term future to substantial adverse selection costs. We choose the specific possibility of widespread knowledge based on genetic testing for the so-called breast cancer (BRCA1/2) genes. We use a data set including economic, demographic and relevant family background information to simulate the market for 10-year term life insurance targeted at women aged 35 to 39. Using standard welfare economic analysis for various information and regulatory scenarios concerning genetic test results, we find generally only modest adverse selection costs associated with such a regulatory ban. However, for family background groups which are at high risk for carrying one of the BRCA1/2 genes, the efficiency cost of adverse selection may be significant especially if a large fraction of women within such groups were to obtain genetic test results. These results, therefore, suggest some caution in developing regulations which protect individuals' genetic privacy.

PARKING AND BUILDING ACCESS

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