



Essay II

SPRING TERM 2001 CLASS

15.141, "Economics of the Health Care Industries"

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Directions:

Your answer should be between three and five double-spaced pages. E-mail your answer (in Microsoft Word format) to the class instructors.

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...by **5:00pm on Friday, April 13, 2001**. Feel free to e-mail either or both instructors if you have any questions.

Essay:

Uwe Reinhardt, a distinguished health economist, has recently proposed that 1% of all expenditures on prescription drugs be set aside for independent research studies that focused on determining whether a new drug to treat a given medical condition was any better than (and worth the extra cost) an older drug.

- (a) How would you determine whether a new drug was "better" than an old drug?
- (b) What might be some of the difficulties you would encounter in designing and carrying out such studies?
- (c) How would you determine whether the new drug was cost-effective relative to the old drug?

