

# HPAM8600: Health Economics

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University of Georgia-Athens  
HPAM, College of Public Health

## Short Paper Assignments

You will have two short writing assignments. Each paper should be one-page and no more than 300 words.

**Your assignment is to use a principle, or principles, discussed in the course to explain some pattern of events or behavior that you personally have observed.**

- The topic should preferably be in the health field, but that is not a requirement.
- Do not use complex terminology. Imagine yourself talking to a relative who has never had a course in economics.
- Do not use any algebra or graphs.
- You can include a few citations, but you need not include a bibliography.
- You are not expected to do a lot of research in support of your argument, although a relevant fact or two might help persuade you that your argument is correct.
- Your topic need not be 'important,' but try to make it interesting.

I will give you feedback on a draft. Then, you will re-write the paper and turn in the final version on the date listed in the syllabus. This version of the paper will be graded.

## Why Go Dry? The Economic Rationale of Dry Counties

Moore County, Tennessee, is home to the infamous Jack Daniels Distillery. Every year, hundreds of thousands of people come to tour this famous whiskey distillery and upon leaving find that they cannot buy a bottle of Jack Daniels. Moore County is a dry county. But, why would they not allow alcohol to be sold when there is such a high demand for it by visitors?

Government regulation is imperative for the protection of the population's health and, alcohol often has a negative effect on health and a negative economic effect on the population as a whole if it is not carefully regulated. Commonly, states and counties use excise taxes on negative health behaviors, such as smoking and alcohol consumption. By imposing sin taxes on products that can generate negative human behavior, local governing bodies seek to decrease undue harm to the well-being of bystanders and increase county revenue through the collection of taxes.

Moore County reported 1 death from 1999 to 2001 due to motor vehicle accidents (MVA).<sup>1</sup> Many studies have shown that counties that ban the sales of alcohol have decreased amounts of MVAs, decreased amounts of hospital spending associated with reckless human behaviors that could be increased because of alcohol consumption, decrease amount of violent crimes, and a decreased amount of sexual-related crimes.<sup>2</sup> Banning alcohol all together could be more effective than sin taxes because tourists of Moore County would probably be less price sensitive than regular consumers of alcohol, so, taxes would not have a big enough effect on consumption to decrease negative health outcomes. The economic benefit <sup>to</sup> of Moore County with regards to health care and crime-related spending has been found to be greater in the long run than the revenue of alcohol sales in a county that thrives on its whiskey heritage.<sup>2</sup> Does this rural county in southern Tennessee have insight into a decreased health spending model that consists of banning alcohol sales? I am sure Mr. Jack Daniels doesn't want to believe it.

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<sup>1</sup> CDC Health Data, Moore County 1999-2001

<sup>2</sup> Brown et al, Endogenous alcohol prohibition and drunk driving (1996). *Southern Economic Journal*, 62(4), pp.1043-1053.

It is estimated that up to 50% of the people in the United States have myopia, nearsightedness, which requires corrective lenses (American Optometric Association, 2006). There are many other conditions that affect vision; hyperopia, farsightedness, and astigmatism often require glasses or contacts that can be costly. In general, most general health insurance plans do not include vision coverage. Many people must purchase separate vision plans that usually cover the cost of annual vision exams, glasses, contacts, and laser vision correction (Allaboutvision.com, 2006). Since eyesight is important to health and productivity for people, why don't employer provided health insurance plans also cover vision and why don't more people purchase separate vision insurance?

One explanation for the lack of vision insurance is the fact that at some point in their lives most people will have some problems with their eyesight that requires corrective lenses. The probability that the insurance will have to pay for services is high because almost everyone is at risk for developing poor eyesight, especially as people age. This means that there are not many low risk people in the risk pool to subsidize the cost of high risk people. Second, routine eye exams and corrective lenses are not as expensive as many other health expenses. Treatment can be relatively inexpensive depending on the type of physician and type of services, and people may be able to pay out of pocket for less than the cost of the premium for vision insurance; vision insurance may not be actuarially fair. Eye exams are also expected expenses because they are needed every year, and people can plan for the cost because there is a low risk of health shock. Also, traditional health insurance covers severe eye diseases such as cataracts, macular degeneration, and eye infections and people do not need supplemental vision coverage for these very expensive conditions. Therefore, the high average risk across the population, the low cost of treatment, the fact that people expect the visit, and high cost conditions are already covered means that the cost of the premium is higher than its expected value to consumers.

All About Vision (2006). *Consumer guide to vision insurance*. Retrieved Nov 4, 2006 from <http://www.allaboutvision.com/vision-insurance/>.

American Optometric Association (2006). *Vision conditions*. Retrieved Nov 4, 2006 from <http://www.aoa.org/>.