

Exercise 3 Health insurance

In the presence of no social risk, identical risk-averse individuals and symmetric information, what is the optimal health insurance contract? What is the welfare gain from insurance? How does a) the optimal contract, b) the welfare gain, depend on transaction costs?

In a non-competitive market would you expect companies to offer full coverage?

What is moral hazard? In the context of health insurance and health care markets, what types of moral hazard are there? Give examples. What are the implications of moral hazard for the supply of insurance?