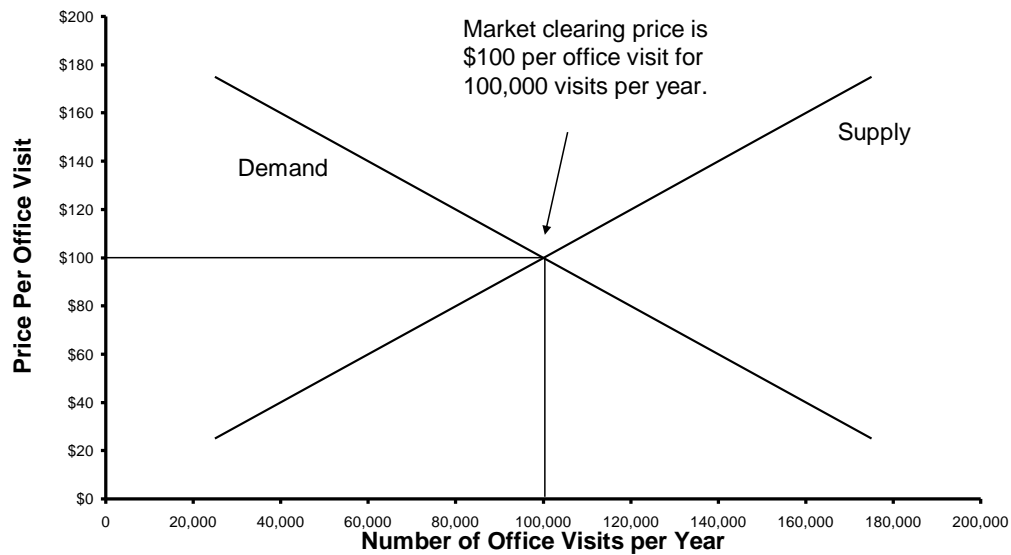


## *Intervention Effects into Market for Healthcare*

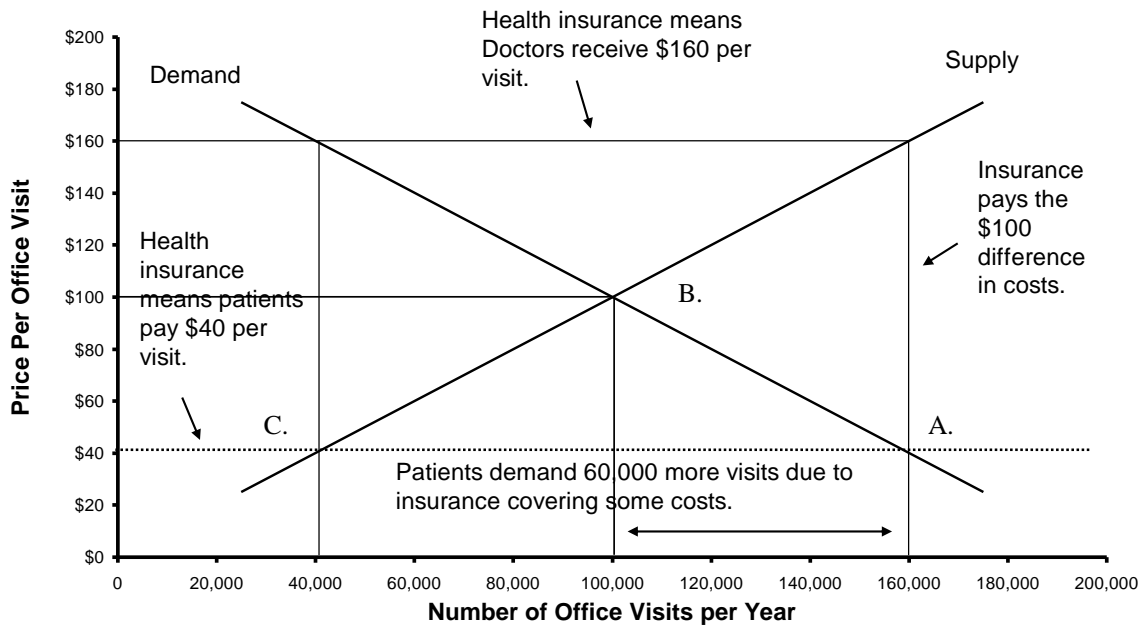
The market clearing price for a Doctor's office visit costs \$100 and there are 100,000 visits per year. Society pays \$10 million for Doctor's office visits each year (100,000 visits per year times \$100 per visit).

**Illustration 14: The Market for Doctor's Office Visits**



Patients with health insurance demand more visits than they would without insurance because insurance covers some of the cost. This subsidy for office visits mean that patients visit the Doctor's more than they would without insurance and society pays more for Doctor's office visits. In this case with insurance the society now pays \$25.6 million for Doctor's office visits (160,000 visits times \$160 per visit) compared to \$10 million before insurance.

**Illustration 15: The Market for Doctor's Office Visits with Health Insurance**



With health insurance patients pay \$40 per visit and demand 160,000 visits per year (point A.) instead of the market clearing amount (point B.) at \$100 per visit. The subsidized price means that patients demand 60,000 more visits than they would without insurance.