



THE UNIVERSITY OF
CHICAGO



The Initiative on Enabling Choice and Competition in Healthcare

PROGRAM DIRECTORS CASEY B. MULLIGAN & TOMAS J. PHILIPSON

Annual Report 2021

Produce
H/M

The dominant theory in economics for centuries in the Western world has been the free market system, yet the ability of competitive markets to provide quality care has been a central point of recent debate.

Extensive government regulation, though well-intentioned, adversely affects the overall health of Americans, inhibits medical innovation, and demands enormous tax-payer investment. **The Initiative on Enabling Choice and Competition in Healthcare** delivers cutting edge research on the efficiencies of competitiveness in the healthcare sector to demonstrate that free market forces can and do work to provide innovative, equitable, and high-quality care.



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Donor Recognition



At the beginning of 2021, we launched the Initiative on Enabling Choice and Competition in Healthcare with the mission of creating a unique platform for innovative research addressing fundamental issues in healthcare economics. Building on the formidable intellectual capital of Chicago economics, we apply broad insights from industrial organization, macroeconomics, finance, labor economics, and other fields. Unlike most health policy centers, we focus on the role that markets play in this critical sector of the economy. While many analyses of healthcare presume that ever greater regulation and government involvement is the answer, we believe competitive forces can do more to advance healthcare quality, access, and innovation.

In our inaugural year, the Initiative has already made valuable contributions to the field of economics, including analyses of financial health economics, novel insights into the effects of pervasive price controls on medical innovation, and the valuation of employer-sponsored medical insurance. Our unique approach to healthcare analysis has proven valuable in the policy arena, laying the groundwork for reducing barriers to innovation during a pandemic. The Initiative, through the generosity of our funders, makes this work possible by giving established and up-and-coming researchers the time and resources to produce work which wouldn't otherwise exist. For example, our working paper "The Impact of HR 5376 on Biopharmaceutical Innovation and Patient Health," rely on analyses of proprietary and difficult-to-assemble data covering hundreds of thousands of pharmaceutical trials. Procuring access to that data simply wouldn't be feasible without the support of the Initiative and our funders.

In addition to our academic work, the Initiative has accomplished much this year. Our public healthcare policy articles were published in numerous media outlets such as Wall Street Journal, Newsweek, and National Review. We hosted a myriad of events to help researchers share their findings, including this year's "Role of Technological Change in Driving Health Trends" conference. And by providing Health Economics Fellowships this year, we aim to cultivate and arm the next generation of health economists with fresh ideas to move the field forward.

During our second year, we plan to expand the program by producing more publications that encourage high-quality public policies, fostering additional young scholars, and creating fruitful new ways to collaborate with other economists. These activities are just the beginning. We hope that the new conceptual and empirical research produced by the program will continue to yield more insight into this sector.

This report details our activities over the course of the 2021 calendar year, which simply would not be possible without the generosity of our donors. We greatly appreciate their support, as do the emerging scholars who have benefited tremendously from the Health Economics Fellowships and our programming.

Sincerely,

A handwritten signature in black ink, appearing to read "Casey B. Mulligan".

Casey B Mulligan,
Program Director

A handwritten signature in black ink, appearing to read "Tomas J. Philipson".

Tomas J. Philipson
Program Director

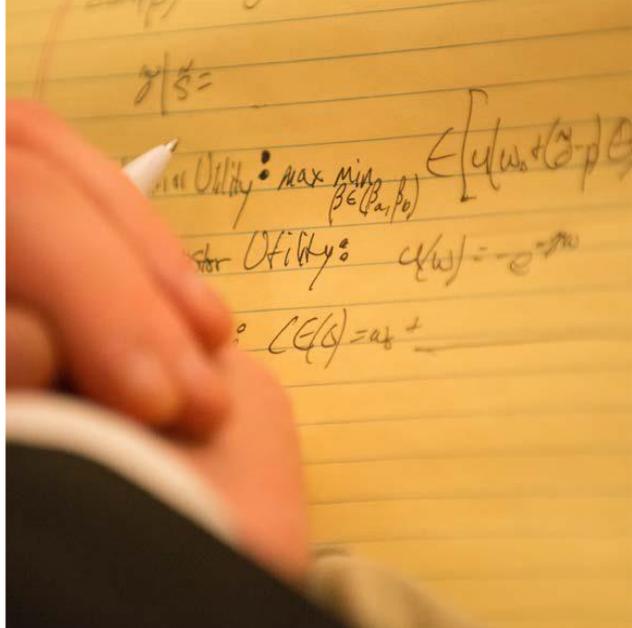
Building a Body of Research

The principal aim of the Initiative and its affiliated scholars is to produce academic papers and publications that impact public understanding and policy. This year, we published over sixty articles that expanded discourse and contributed pivotal ideas to our growing collection of research. See the list below for a comprehensive look of the academic articles, working papers, and op-eds that have been authored by Program Director Casey Mulligan and Tomas Philipson.

- [A Scientific Approach to Evaluating Covid Policy](#)
- [A Tax Break for the Rich to Bail Out Profligate States](#)
- [A True Economic Stimulus Plan](#)
- [Ah Ha Moment About Regulatory Capture of Environment Policy](#)
- [Anti-Despair Economics](#)
- [Biden's Bailout Package Would Make Him Job Killer in Chief](#)
- [Biden's Economic Agenda and it's Effects](#)
- [Bolton is Wrong; I was There](#)
- [College Subsidies Are a Feedback Loop For Bigger Government](#)
- [Congress and the Economy: Less is More](#)
- [Congress Can Still Save the Recovery](#)
- [Continued Government Failures on Drug Pricing](#)
- [Conversations with Bob Zadek](#)
- [Covid Policy After a Vaccine](#)
- [Deaths and Despair and the Incidence of Excess Mortality in 2020](#)
- [Dispelling Myths in the War Against the Regulatory State](#)
- [Does a Coronavirus Vaccine Need the Government to Push People to Take It](#)
- [Does Hurting the Economy with Big Government Buy Votes?](#)
- [Former Trump Adviser Alleges Trump Caved to Auto Lobby on Fuel Economy Rule](#)
- [Former WH Adviser Reveals Trump Twitter Technique Used to Capture Media Attention](#)
- [Government Failure Gave the World Covid](#)
- [How Economics is Helping End a Pandemic](#)
- [How the Government Subsidized the Opioid Crises](#)
- [How Many Jobs will the "Stimulus" Kill?](#)
- [How much Deaths and Despair Surge during the Pandemic?](#)
- [How Much Does it Cost to Help Stranded Workers?](#)
- [How Government Subsidized Our Opioid Addiction](#)
- [How the Jones Act Literally has Cows Flying First Class, and Does Environmental Damage](#)
- [How the Maritime Industry is Sunk by Prohibition](#)
- [How the White House Followed the Science to Enable a Quick Vaccine](#)
- [How to Fix the Biased Polling Industry Using Economics](#)



- [I am a Tariff Man: Comparing Presidents Reagan and Trump](#)
- [Ignore Empty Words: Does Socialism Pass the Market Test](#)
- [Is the Cure Worse than the Disease?](#)
- [Let Markets, Not Antitrust Laws, Punish Big Tech's Political Discrimination](#)
- [Lockdowns Didn't Stop Covid](#)
- [No Need to Sweat Covid Vaccination Rates](#)
- [Operation WARP Speed: What a Deal!](#)
- [Pharma's Rebate Rule: Inside Job or Political Genius?](#)
- [Prices and Federal Policies in the Opioid Markets](#)
- [Regulation During and After the Pandemic](#)
- [Shady Executive Order Bears Fingerprints of Navarro and Krugman](#)
- [Should Double Charging Patients for Medications be Legal?](#)
- [Stealing From Drug Markets Is No Way to Vaccinate the World](#)
- [Student Loan Forgiveness furthers Democratic Influence on Campuses](#)
- [The Backward Art of Slowing the Spread? Congregation Efficiencies during COVID-19.](#)
- [The Big Tech Crackdown is a Gift to Parler](#)
- [The Casualties of "Moral Imperatives"](#)
- [The Excessive Fiscal COVID Response](#)
- [The Limits of Government Disease Control](#)
- [The Mythical Red and Blue State COVID-19 Divide](#)
- [The Opioid Epidemic Stopped Getting Worse on Inauguration Day](#)
- [The Pay is Generous, the Work Nonexistent](#)
- [The Real Cost of Biden's Plans](#)
- [The Vaccine Rollout and Covid déjà vu](#)
- [The White House Prepared for a Pandemic](#)
- [Three Cheers for Employer Health Insurance](#)
- [Three Myths about Federal Regulation](#)
- [Trump Backed Off Shipping Reform under Political Pressure, Former Advisers Claim](#)
- [Trump Proved Stagnationists Wrong](#)
- [Trump Strategically Stretches Truth to Manipulate the Media](#)
- [Trump's Vast Deregulatory Landscape Goes Unnoticed by Experts](#)
- [Trumping Poverty](#)
- [Why Congress Must Say "No" to the \\$600 Unemployment Bonus Extension](#)
- [Workers Would Pay Biden's Higher Taxes](#)



Working Papers

Deaths of Despair and the Incidence of Excess Mortality in 2020

The spread of COVID-19 in the United States has prompted extraordinary, although often untested, steps by individuals and institutions to limit infections. Some have worried that “the cure is worse than the disease.” This paper looks at the second-order effects of pandemic measures including the increase of drug abuse and suicide.

The Incidence and Magnitude of the Health Costs of In-person Schooling during the COVID-19 Pandemic – *Published in Public Choice*

One of the longest-duration avoidance strategies during the COVID-19 pandemic has been the closing of public-school buildings even to uninfected students and teachers. This paper assesses the incidence and magnitude of the health benefits (if any) of remote-learning or, conversely, the health costs of in-person schooling.

The Value of Employer-Sponsored Health Insurance

Employer-sponsored health insurance (ESI) is over a trillion-dollar market with about 160 million Americans (a majority) participating as plan members, of which about 80 million are policy holders. The policies are valuable not only to employers and employees, but society generally. The annual social value of ESI is about \$1.5 trillion beyond what policyholders, their employers, and taxpayers pay for it. That additional value is an average of almost \$10,000 per life year covered.

The Backward Art of Slowing the Spread? Congregation Efficiencies during COVID-19

During the spread of COVID-19, schools, restaurants, entertainment venues, and many



Cutting-edge academic thinking can have a considerable impact on issues in the health care industry—but only if those ideas are broadly circulated and shared.

other places of business were required to close under the compelling theory that infectious diseases spread more quickly when people congregate. More than a year into the pandemic, public officials were still advising their populations to “stay home” and paid unprecedented unemployment benefits in part to encourage home over work even for healthy persons. However, the adoption of mitigation protocols led infection rates in workplaces to fall below household rates of infection indicating policies that encourage people to stay at home may not be the most efficient form of preventing infectious disease.

Issue Brief: The Evidence Base on The Impact of Price Controls on Medical Innovation – *Published in Journal of Benefit-Cost Analysis*

This issue brief reviews the evidence on the impact of price controls on biopharmaceutical innovation and calibrates what this evidence implies for recent price control proposals in the US. This paper illustrates the R&D effects from the estimated revenue decline from a recently proposed bill in the U.S., HR3.

Working Papers

Issue Brief: The Impact of HR 5376 on Antiviral Innovation and Patient Health

This issue brief reviews the evidence-base to assess the impact HR 5376 on innovation into antivirals and patient health. This bill will lead to 21 to 43 fewer new antivirals through 2039 reducing the incentives and capacity for the rapid response in antivirals through 2039 reducing the incentives and capacity for the rapid response in antivirals we saw in response to the COVID-19 pandemic.

Issue Brief: The Impact of HR 5376 on Biopharmaceutical Innovation and Patient Health

This issue brief reviews the evidence-base to assess the impact of HR 5376 on drug innovation and patient health. This bill will lead to 135 fewer new drugs through 2039 leading to 331.5 millions lost years which is about 31 times larger than the lost life years from COVID-19 in the U.S. to date. These estimated effects on the number of new drugs brought to market are 27 times larger than projected by [CBO](#).

Cognitive Endurance as Human Capital

This paper revisits Peltzman (1973) in light of two recent opportunities to quantitatively assess tradeoffs in drug regulation. First, reduced regulatory barriers to drug manufacturing associated with the 2017 reauthorization of Generic Drug User Fee Amendments were followed by significantly more entry and lower consumer prices for prescription drugs. Second, accelerated vaccine approval in 2020 had unprecedented net benefits as it not only improved health but substantially changed the trajectory of the wider economy. The evidence suggests that cost-benefit analysis of FDA regulation is incomplete without accounting for substitution toward potentially unsafe and ineffective treatments that are both outside FDA jurisdiction and heavily utilized prior to FDA approval.

The Patient Impact of Manufacturing Copay Assistance in an Era of Rising Out-of-Pocket Costs*

This paper measures the impact of manufacturer-provided copay assistance on total out-of-pocket costs, drug utilization, and implications for patient outcomes. We find that as the cost burden shifts onto patients, copay assistance helps patient affordability and improves health outcomes despite recent policy proposals that try to limit such copay assistance.

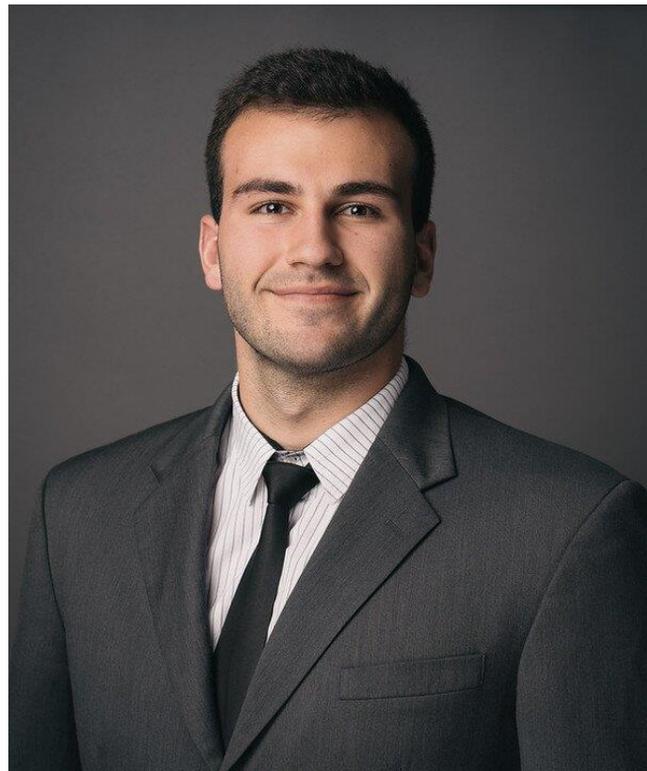


Fostering Tomorrow's Leading Scholars

Thanks to the generous support of our funders, the Initiative on Enabling Choice and Competition awarded two predoctoral Health Economics Fellowships to emerging scholars in 2021. The Fellowship is meant to encourage original inquiry into the relationship between healthcare markets and the overall economy. Fellows are chosen based on their intellectual curiosity and the exceptional promise demonstrated by prior scholarship. The Fellowships include a \$20,000 stipend to support a dissertation or research to be conducted at the fellow's home institution. In the Spring of 2022, the Fellows will have the opportunity to present their work at the University of Chicago, and the chance to collaborate with UChicago faculty and senior economists to examine their findings.

"My research is focused on the economic effects of regulation, with special attention to health regulation. My current research project applies a synthetic control analysis of the repeal of nursing home Certificate-of-Need laws (NH-CON) in Pennsylvania, Indiana, and North Dakota to evaluate the effect of removing this regulation on the revenues of nursing homes and Medicaid nursing home expenditures. I develop a model where NH-CON is unique among Certificate-of-Need regulations because individuals in need of nursing home services can substitute towards services in neighboring states, and consequently bring their Medicaid expenditures to the new state. I find that repealing NH-CON led to a substantial and significant increase in the revenue of nursing homes and Medicaid nursing home expenditure in Pennsylvania, but not in Indiana or North Dakota. These results are consistent with the hypothesis that some nursing home consumers in states regulated by NH-CON migrated to Pennsylvania after the repeal of this law, where the nursing home services are relatively better substitutes than those in Indiana and North Dakota. Other research projects include a spatial analysis of the impact of Certificate-of-Need laws on rural healthcare access, as well as an evaluation of the impact of gasoline self-service bans on gasoline prices in Oregon."

-Vitor Milo



Vitor Melo is a PhD student in Economics at Clemson University and is originally from Brazil. His research fields are health economics, public economics, and the economics of regulation. Much of his current research uses theoretical modeling, causal inference methods, text analysis, and GIS spatial analysis to evaluate the economic effects of health regulation.



Pyoungsik Kim is a fifth-year student in the Ph.D. program in Economics at UNC-Chapel Hill. His research interests are in Labor, Health, and Development. His research focuses on providing insights on a wide range of empirically challenging topics, such as health insurance, migration, and discrimination, based on microdata and econometrics techniques. In particular, through the lens of the search framework, he tries to recover the model's structural parameters associated with unobserved behavior aspects of individuals: the valuation of employer-sponsored health insurance, the preference of individuals for migration in the developing countries, and the presence of explicit prejudice against obese individuals.

"In this project, I generalize an equilibrium search framework by allowing workers to make medical treatment decisions and firms to make employer-sponsored health insurance (ESHI) provision decisions in the presence of acute illnesses. I quantify the importance of acute illness costs, such as deteriorated productivity, increased medical expenses, fewer job opportunities, and reduced utilities. ESHI serves to enhance productivity by directly or indirectly reducing such costs. The equilibrium proportion of the firms offering health insurance is a function of labor market frictions, match-specific productivity, and endogenous illness conditions. I estimate the model using the Medical Expenditure Panel Survey (MEPS). I find that a relatively large portion (3%) of productivity is lost due to illness, and ESHI effectively reduces illness costs. In my counterfactual experiments, I study the impacts of mandatory health insurance and subsidies on illness costs, labor market outcomes, and welfare. More ESHI coverage rates can reduce illness costs and improve some labor market outcomes, but there is a redistribution of welfare from firms to workers."

-Pyoungsik Kim

To learn more about the Fellowships that the Initiative offers, please visit our webpage:

[Fellowship | The Initiative on Enabling Choice and Competition in Health Care \(uchicago.edu\)](https://uchicago.edu)



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Cultivating a Research Community

The initiative's research conferences and events foster direct exchanges among scholars that inspire new avenues of inquiry. Outreach events bring new thinking on health care systems to the public, informing policy discussions merging economic theory with empirical analysis and generating important insights on the economic forces and governing policies that shape health care.

The Role of Technological Change in Driving Health Trends" conference brought faculty, research professionals, and students together to explore health care issues, from the opioid epidemic to patient-centered care to health innovation productivity, by utilizing theoretical and empirical analysis tools. The conference was organized to highlight important research questions on how health care policies can result in unintended consequences such as inefficiencies in health care delivery, increased spending, or limited coverage.

Among the key findings presented, Darius Lakdawalla, of the University of Southern California found that Pharmaceutical R&D costs rise faster than new drug approvals, while Hong Luo of Harvard University discussed how product liability risk reduces medical innovation. Kristopher Hult of the University of Chicago explored how technological change affecting health care innovations may be stifled by the

very policies intended to stimulate research and development, resulting in high costs and low productivity.

Other presentations included "Price Indices and the Value of Innovation with Heterogeneous Patients" by Claudio Lucarelli of University of Pennsylvania Wharton School, and "The Impact of Biomedical Innovation on Longevity and Health" by Frank Lichtenberg of Columbia University.

The event concluded with a roundtable discussion between the economists, outlining remaining issues facing innovation in medical research and developing opportunities for future collaboration.

To watch the presenters discussing their seminal work, click here for the conference video:

[Events | The Initiative on Enabling Choice and Competition in Health Care \(uchicago.edu\)](https://www.uchicago.edu/research/initiative-on-enabling-choice-and-competition-in-health-care)

Operation WARP Speed

We believe that teaching young scholars is critical to the ultimate mission of the Initiative, which is why we create various educational materials such as interactive learning tools, social media, and informative videos to be used in the classroom. Our latest video - a conversation between Kevin Murphy, Tomas Philipson, Casey Mulligan, and Robert Topel, gives a behind the scenes look on Operation WARP Speed's origins in Chicago school economic theory. They discuss how their time in the Council of Economic Advisors laid the groundwork for the success of the program, and the crucial role that healthcare policy played in the midst of a pandemic.



Click the video above to watch highlights of the Operation WARP Speed discussion.



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Casey B. Mulligan
Professor of Economics

Casey B. Mulligan's research focuses on the analysis of incentives to save and participate in the workforce. Mulligan summarizes his analysis of the impact of the Affordable Care Act on employees and labor markets in *Side Effects and Complications: The Economic Consequences of Health-Care Reform*. Published in late 2015, the book addresses how health care reform influences incentives to work and estimates impacts on productivity. Mulligan has also written widely on the labor effects of health care reform and discrepancies between economic analysis and conventional wisdom. His previous books include *The Redistribution Recession: How Labor Market Distortions Contracted the Economy* (2012), and *Parental Priorities and Economic Inequality* (1997). Currently, Mulligan and his colleagues are analyzing how the Affordable Care Act's taxes, subsidies, and regulations will shift coverage between employer-provided plans and exchanges and how demand for skilled labor will shift. Other research incorporates the monetary value of health into macroeconomic measures such as gross domestic product and finds that this alters the assessed magnitude of economic booms and recessions. In addition to his professorship, Mulligan is affiliated with the University of Chicago's George J. Stigler Center for the Economy and the State, the Population Research Center, and the National Bureau of Economic Research.

Tomas J. Philipson Daniel Levin Professor of Public Policy Studies, University of Chicago Tomas J. Philipson's recent work focuses on how health care technology and innovation influence medical care quality, costs, and prices. He also has analyzed the economic forces driving the growth in obesity, the impact of the rise in old-age longevity and long-term care markets, and the economics of terminal care. Recently, he has been a pioneer in the field of financial health economics, which aims to understand the relationships between the health care sector in the real economy and financial markets investing in health care. Philipson has served as an economic advisor to the head of the Food and Drug Administration, the head of the Centers for Medicaid and Medicare Services, and a senior health care advisor to Senator John McCain during his 2008 presidential campaign, among other policy roles. He is affiliated with the National Bureau of Economic Research, the American Enterprise Institute, the Manhattan Institute, and the Milken Institute. He writes a monthly column for *Forbes* magazine and is a cofounder of the health care consulting firm Precision Health Economics. In addition to his professorship with the University of Chicago's Harris Public Policy, Philipson is an associate member of the Department of Economics, an affiliate of the George J. Stigler Center for the Study of the Economy and the State, and a former senior lecturer at the Law School.



Tomas J. Philipson
Professor of Economics

Jennifer Manor is the acting Associate Director for the Initiative on Enabling Choice and Competition and has been instrumental in it's inaugural launch in 2019.

She also serves as the Associate Director of the Program on Foundational Research in Health Care Markets under the Becker Friedman Institute. She has large-scale project management experience and a passion for public health policy. In her capacity as the program's Senior Associate Director, she has been able to collaborate with academic health economists and university administrators across campus and other institutions to advance foundational research on health care markets and policies.

Before transitioning to her current position, Jennifer held various roles in the Office of Research at the University. She was the Project Manager and Strategist of Board Relations, Logistics, and Events for the National Laboratories. She was responsible for the development and execution of board meetings, programmatic reviews, and the overall activities related to the Argonne National Laboratory Board of Governors and the Fermi National Laboratory Board of Directors. In this role, she worked with the Assistant Vice President for National Laboratories to develop the strategy for the respective boards and support the development of the broader organizational National Laboratory strategic planning process.



Jennifer Manor
Associate Director



Troy Durie
Data Analyst

Troy Durie is a Data Analyst for the Initiative on Enabling Choice & Competition. Troy returns to the University of Chicago after graduating with a Master's Degree in Social Sciences with a concentration in Quantitative Methods of Social Analysis in 2019.

From 2019 to 2020, Troy served as a Staff Economist on the Council of Economic Advisers. His work primarily revolved around trade policy, domestic and international macroeconomic policy, and the economic response to the COVID-19 pandemic. He contributed analysis to the "Economic Report of the President" and other research reports produced by the Council. He also holds a B.A. in Economics from Carthage College where he played lacrosse.

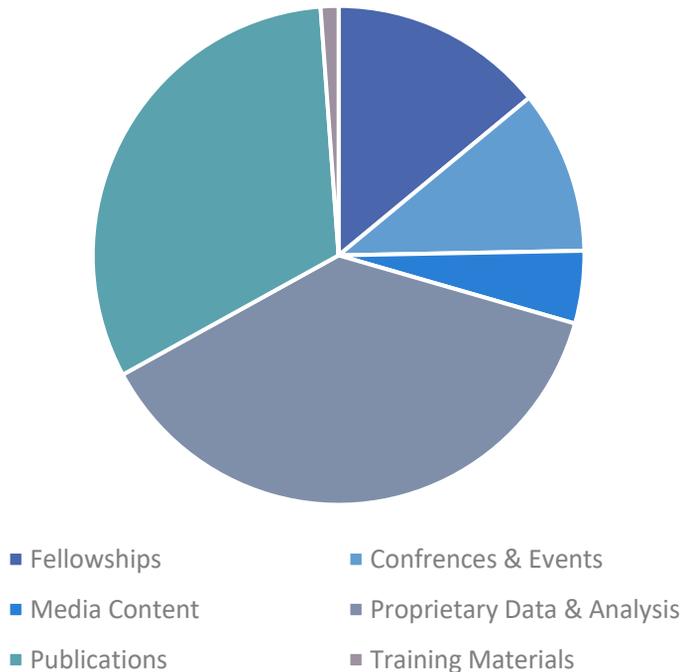
Troy was brought on to the Initiative in the beginning of 2021, and since then has managed the Initiative's extensive data as well as co-authored multiple papers with Tomas Philipson.

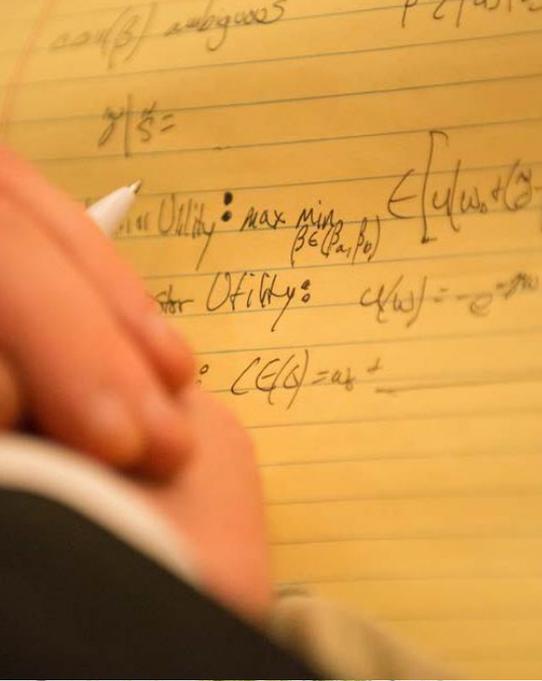
Funding Opportunities

We want to take the opportunity to once again thank our funders. The type at the Initiative would not be possible without their generous support. If you are interested in learning about funding opportunities within the Initiative, please contact Jennifer Manor at jmanor@uchicago.edu.

The chart below details how our non-operating expenses were distributed over fiscal year 2021.

FY 2021 Budget Expenditures





For more information about the Initiative, contact Jennifer Manor, Associate Director, at jmanor@uchicago.edu

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