

Centre for Health Economics

Seminar Series

‘Price Elasticity of Pharmaceuticals’

Presented by

Professor Alistair McGuire

Date: Tuesday 25th September 2007
Time: 1:00-2:00pm
Venue: RB Scotton Room
2nd Floor, Building 75
Monash University, Clayton



This is a preliminary examination of the elasticity of demand for prescription drugs in the USA. An econometric model accounting for sample selection related to the number of prescriptions consumed, issues of endogeneity, and heterogeneity by employing a two-stage least squares fixed effects model is applied. The results indicate that endogeneity and heterogeneity must be controlled for and that greater cost sharing decreases the demand for prescription drugs with a price elasticity estimate of -0.250 ($p=0.000$). Thus, it appears that US adults are not particularly sensitive to changes in out-of-pocket prices, highlighting the limitations of demand-side cost-sharing in controlling pharmaceutical expenditure.

Presenter

Professor Alistair McGuire [B.A. (Econ); M.Litt (Econ); Phd (Econ)] is a Professor in Health Economics at LSE Health within the London School of Economics and Political Science. Prior to this he was Professor of Economics at City University, London after being a Tutor in Economics at Pembroke College, University of Oxford. He has been interested in the economics of health care for over 20 years and has written numerous books, articles and reports in this area, as well as participating in many advisory roles to various committees. He has served on a number of UK governmental committees including the UK Cabinet Office Committee on laparoscopic surgery, the Office of National Statistics Committee on UK Health Accounts and the Medical Research Council. He teaches on the MSc in International Health Policy (Health Economics stream) and is currently Head of the Department of Social Policy. He remains fascinated by the institutional responses to the multitude of market failures exhibited by the health care sector and hopes to enjoy at least another 20 years working on these issues.

VISITORS ARE MOST WELCOME. The Seminar Series is free of charge. For confirmation of your attendance and further information please telephone 9905 0733 or email che@buseco.monash.edu.au