Economic analysis of anthem and kaiser permanente

Entertainment, Games

Economic Analysis of Anthem and Kaiser Permanente Abstract This paper is an economic analysis of healthcare providers Anthem and Kaiser Permanente. Included will be information on competition, pricing and the effects of elasticity of demand has on both companies. Introduction One of the major concerns facing Americans today is the discussion of healthcare and how employers can afford to purchase healthcare for their employees. With the recent approval of President Barack Obama's Healthcare Reform Bill, it has placed added pressure on both small and large business owners to provide insurance for their employees or be faced with tax penalties.

The healthcare industry is an oligopoly meaning that there are few firms involved in the marketplace and they hold a substantial portion of the marketplace. They understand that their industry is interdependent and every decision or action made will have rippling affects on the other firms. They too will choose to make changes to keep their standing in the marketplace. In the healthcare industry, the two major companies are Anthem and Kaiser Permanente (Thomas & Maurice, 2011). Pricing & Competition

When looking at companies that do business in oligopoly, there are many traits that they resemble. Their prices will remain relatively the same as their competitors, and lower then those companies that deal in a monopoly (www. yourdictionary. com). Both Anthem and Kaiser Permanente are highly competitive in their standings in the marketplace. Everything from their marketing efforts to their pricing is geared toward gaining a bigger share of the marketplace. Prices are one of the major differences between both companies.

Prices for both companies are generated through underwriting and governed by community ratings. These ratings are surveys are conducted in the community where the companies serve to help determine the generalhealthof their customers and potential risks. Premiums will be adjusted yearly based on the number of claims filed and funds needed to continue the coverage of their customers (www. alliedquotes. com 2008). Although prices for treatments are generally the same, savings can be found through Kaiser Permanente because most of their services are done in one of their medical facilities.

Game Theory & Elasticity of Demand The new mandate passed through congress requires employers and American citizens to have healthcare, the demand of elasticity has little play. Everyone has to have healthcare and therefore the demand will remain constant. The prices for specific plans may vary slightly causing customers to select Kaiser over Anthem so with healthcare it will show inelasticity because it is considered a necessity. In order for both firms to gain an edge in the marketplace and in their prices they will use game theory.

Game theory is a tool used in decision making in which both firms or " players" try to win the biggest payoff, in this case more customers. Game theory used by Kaiser is ensuring they have more doctors in one location that can perform more services for their customers. By allowing their customers to savemoneyfrom going to outside firms to perform additional test and to receive treatment, Kaiser offers all of its services in one location at a lower rate (Thomas & Maurice, 2011).

For Anthem, they have many different locations and a customer will have to go to different doctors, make appointments, and wait to get scheduled before they are seen. This major difference is what makes Kaiser popular, the ease in which a customer can receive treatment. Profit The original concern from the public as it comes to healthcare is the cost of obtaining and sustaining healthcare. Many found that when faced with a major illness, they were either under-insured or simply could not afford the treatment. With the current healthcare changes, the prices will be lowered and more affordable.

This makes the profits generated from selling healthcare plans less about maximizing profits for the industry and more towards suboptimal equilibrium with everyone generally making the same profit except for larger firms who can afford to spend more to generate interest in their firm. With suboptimal equilibrium all firms in the healthcare industry will generally choose to stay on a similar path as far as prices and profits. Firms will differ in profits, however, based off other factors like size of the firm and marketing efforts (Thomas & Maurice, 2011). Competition and the Consumer

With every business, there will always be competition. Competition is great for customers because they will be the benefactors of the competing firms. Firms in the industry compete over coverage instead of price. Competition between firms will take place in advertisements on television and in the print media. Doctors will refer certain providers to their customers or they will choose to opt in to certain HMOs or choose to stay outside the network. Also firms that offer plans that cover more of the customers' needs at the lowest rates will generally gain and retain more customers.

Yet with a large firm like Anthem, their firm is widely known and they have larger budgets to continue their company's growth in customers. Conclusion Americans are just now starting to understand the new implications of the Healthcare Reform. Addressing the needs of the American people and reducing the costs of healthcare and making sure all pay their share so the burden does not fall on the government is intended to help reduce the strain on the economy and make being healthy more affordable for the citizens of the United States.

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