National Bureau of Economic Research

Officers
Michael H. Moskow, Chairman
Elizabeth E. Bailey, Vice Chairman
Martin Feldstein, President and Chief Executive Officer
Susan Colligan, Vice President for Administration and Budget and Corporate Secretary
Robert Mednick, Treasurer
Kelly Horak, Controller and Assistant Corporate Secretary
Gerardine Johnson, Assistant Corporate Secretary

Directors at Large
Peter C. Aldrich
Elizabeth E. Bailey
John H. Biggs
Andrew Brimmer
John S. Clarkeson
Don R. Conlan
George C. Eads
Jessica P. Einhorn
Martin Feldstein
Jacob A. Frenkel
Judith M. Gueron
Robert S. Hamada
George Hatsopoulos
Karen N. Horn
John Lipsky
Laurence H. Meyer
Michael H. Moskow
Alicia H. Munnell
Rudolph A. Oswald
Robert T. Parry
Richard N. Rosett
Marina v. N. Whitman
Martin B. Zimmerman

Directors by University Appointment
George Akerlof, California, Berkeley
Jagdish Bhagwati, Columbia
Michael J. Brennan, California, Los Angeles
Glen G. Cain, Wisconsin
Ray C. Fair, Yale
Franklin Fisher, Massachusetts Institute of Technology
Saul H. Hymans, Michigan
Marjorie B. McElroy, Duke
Joel Mokyr, Northwestern
Andrew Postlewaite, Pennsylvania
Uwe E. Reinhardt, Princeton
Nathan Rosenberg, Stanford
Craig Swan, Minnesota
David B. Yoffie, Harvard
Arnold Zellner, Chicago

Directors by Appointment of Other Organizations
Richard B. Berner, National Association For Business Economics
Gail D. Fosler, The Conference Board
A. Ronald Gallant, American Statistical Association
Richard C. Green, American Finance Association
Thea Lee, American Federation of Labor and Congress of Industrial Organizations
Robert Mednick, American Institute of Certified Public Accountants
Angelo Melino, Canadian Economics Association
Jeffrey M. Perloff, American Agricultural Economics Association
John J. Siegfried, American Economic Association
Josh S. Weston, Committee for Economic Development
Gavin Wright, Economic History Association

Directors Emeriti
Carl F. Christ
Lawrence R. Klein
Franklin A. Lindsay
Paul W. McCracken
Peter G. Peterson
Bert Seidman
Eli Shapiro
Relation of the Directors to the Work and Publications of the NBER

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.

2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication DO NOT contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more co-authors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.

3. No book manuscript reporting research shall be published by the NBER until the President has sent to each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript's content, a list of contributors if applicable, and a response form for use by Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied and the main conclusions reached.

4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.

5. The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.
6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.

7. NBER working papers and manuscripts distributed on the Bureau’s web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER’s web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.

8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.
Contents

Introduction xi
David M. Cutler and Alan M. Garber

1 Reference Pricing of Pharmaceuticals for Medicare: Evidence from Germany, the Netherlands, and New Zealand 1
Patricia M. Danzon and Jonathan D. Ketcham

2 Adverse Selection and the Challenges to Stand-Alone Prescription Drug Insurance 55
Mark V. Pauly and Yuhui Zeng

3 Disability Forecasts and Future Medicare Costs 75
Jayanta Bhattacharya, David M. Cutler, Dana P. Goldman, Michael D. Hurd, Geoffrey F. Joyce, Darius N. Lakdawalla, Constantijn W. A. Panis, and Baoping Shang

4 Benefit Plan Design and Prescription Drug Utilization Among Asthmatics: Do Patient Copayments Matter? 95

5 An Economic Analysis of Health Plan Conversions: Are They in the Public Interest? 129
Nancy Dean Beaulieu