Health Economics: Economics 334 and Public Policy 331

Course Description

This course provides a comprehensive overview of topics related to workings of health care markets and determinants of health in high-income countries, particularly the U.S. Health economics is a field in applied microeconomics. It draws on basic microeconomic concepts, which I assume that students have had. It also assumes some knowledge of statistics, even though I will provide some help with this in class. There are much larger fields of health services research, public health, and clinical medicine. We will draw on these latter fields, but the thrust of this course is economic.

The course has several objectives. The first is to sharpen your skills in microeconomics and in empirical analysis. Second, the course will improve your understanding about how economic analysis is used to help in analysis of important public policy issues. The analysis contained in the course has many public policy implications. You will see the range of important public policy issues that health economics encompasses. Many of these issues are well publicized by the media, especially in this election season, but often without the analytic tools that economics provides (not that economics can explain everything). Hopefully, the material will encourage at least some of you to pursue related work in economics and an honors thesis. Third, for students planning on entering careers in medicine, public health, and law or business related to health care, this course offers practical analysis that you will be able to use in your careers. Fourth, the course aims to improve students’ skills in speaking and writing. You will be giving presentations on some assigned journal articles and graduate students (writing 2 term papers is required of graduate students) and those undergraduate students who elect to do so will write 2 term papers. Those undergraduates who elect to write the term papers and graduate students for whom writing term papers is required will not take the final exam. I will meet with graduate students and undergraduate students who are considering the paper option soon. The papers are about 17-18 manuscript pages each. I do not expect students to conduct original empirical research for these papers, but I do expect analysis.

There are three types of required readings. The first is Health Economics by Sloan and Hsieh (abbreviated SH on the reading list). We will cover much of the book. SH was 1,400 pages in manuscript form and covers much of the health economists literature through 2008-9. The second is the book of readings, Incentives and Choice in Health Care, co-edited by Sloan and Kasper. Professor Kasper joined the Economics faculty at Oberlin College when I was an undergraduate there. I did not take a class with him because I had already taken Labor Economics, his field. We will read several chapters from this book (abbreviated SK on the reading list). The third type of reading consists of articles from economics journals. You will notice
that the economics journal articles were mostly published very recently. This is on purpose for two reasons. (1) Much of the earlier material is covered by SH and SK and (2) There are gaps in SH, e.g., Romney-ObamaCare. I was uncertain whether the Supreme Court would declare the Obama law constitutional, and I did not want to take a chance that it would be declared unconstitutional. Barring an unforeseen event, i.e., its repeal, this new law will be discussed in the text in the future, the 2nd edition of SH.

Often, but not always, I will start a class in which a reading will be discussed with a short test (10 minutes in length). The main purpose of testing is to be sure that you have done the reading before class and have an understanding of the fundamentals. We are here to discuss material, not to recite fundamentals that you can gain on your own. Some of the articles will be presented by students in the class. An important function of the student presentations is to allow students to describe the issues rather than hear everything according to the professor’s interpretation. Furthermore, learning is a two-way street, and I want to hear your perspectives as well.

**Tests and Grading**

There will be one mid-term on October 3, 2012 and a final examination for students who do not write term papers from 2-5 pm on December 13, 2012. All students are required to take the mid-term examination. The final will focus on material covered since the mid term and on issues not covered by the mid-term exam. You will be responsible for more material for the tests than I can possibly ask you about in the time allotted for the test. The questions will be essay questions. I do not give multiple-choice tests. I have a policy of grading all tests and try to get the results to you by the next class. Grading the tests myself has the advantage of becoming aware in a timely fashion of what you are learning or not learning.

The weights given to the above in determining the final grade are:

<table>
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<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Mid-term</td>
<td>18%</td>
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<tr>
<td>Final exam/papers</td>
<td>35</td>
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<tr>
<td>Short tests</td>
<td>30</td>
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<td>Class participation</td>
<td>17</td>
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The grade on class participation is based on student presentations and participation in class more generally. I will drop your lowest grade on the short tests in computing your final grade. This may be a missed test. I do not give excuses for missing class but make this allowance. The grading on short tests is 3=more than mastered the fundamentals; 2=mastered the fundamentals; 1=has vague idea of the article; 0=missed the test or has no idea what the article is about. There are pluses
and minuses around these grades. The mid-term and final exams are graded 0-100. Having taught many students over the years, I do not grade on a curve.

Class Schedule
I. Valuing the benefit and cost of health care services
   A. Cost effectiveness analysis SH* (pp. 627-56); Jane J. Kim and Sue J. Goldie (2009), 2008) 8/27-8/29
   B. Cost benefit analysis SH (pp. 657-91); •F. R. Johnson et al. (2009), David J. Jones (2012), F. A. Sloan et al. (1998) 9/3-9/5
   C. Comparative effectiveness analysis Nathan C. Sheets et al. (2012) 9/10
II. Health and its determinants 9/10-9/17
   SH (pp. 39-82)
   A. Health behaviors and health Cawley (SK*)
   B. Environmental effects on health Janet Currie et al. (2010)
   C. Effects of health policies on health Angela R. Fertig and David A. Reingold (2007),
   D. Racial disparities in health Tyler Lawler et al. (2012)
   E. Secular improvements in health •Karen N. Eggleston et al. (2011)
III. Demand for Health Services
   SH (pp. 83-126); Newhouse and Sinaiko (SK); Michael Anderson et al. (2012) 9/24
IV. Demand and Supply of Health Insurance
   A. Demand for health insurance SH (pp. 127-68)
      1. Employer mandates for private health insurance Thomas C. Buchmueller et al. (2011)
      2. Private supplemental insurance (to public insurance) •Hanming Fang et al. (2008)
      3. Long-term care insurance •Jeffrey R. Brown and Amy Finkelstein (2008),
         Amy Finkelstein and Kathleen McGarry (2006) 9/26-10/1
   B. Supply of private health insurance SH (pp. 417-65); Leemore S. Dafny (2010), Leemore S. Dafny et al. (2012) 10/5-10/7
   C. Public health insurance
      1. Medicare 10/19-10/21
         1.1. Overview SH (pp. 516-27)
         1.3. Effects of Medicare implementation on health sector size Amy Finkelstein (2007)
      2. Medicaid 10/28
         SH (pp. 528-34)
         3. “RomneyCare” and “ObamaCare” 10/28-11/5
            3.2. Impact of expanded coverage on premiums John A. Graves and Jonathan Gruber (2012), Martin B. Hackmann et al. (2012)
3.3. Effect of expanded coverage on disparities •Sharon K. Long et al. (2011)
3.4. Effect of expanded coverage on productivity Marianne Bitler and Lucie Schmidt (2012), •Mark. A Thompson et al. (2012)

V. Hospitals 11/7-11/12
SH (pp. 219-73); Gowrisankaran (SK)
A. Hospital ownership and performance Frank A. Sloan et al. (2001)
B. Paying the hospital

VI. Physicians 11/14-11/19
SH (pp. 171-218); Nicholson (SK)
A. Is the market for physicians’ services unique and if so, why?
B. Paying physicians McGuire (SK); Golden and Sloan (SK); Rose Anne Devlin and Sisira Sarma (2008), Frank Eijkenaar (2012), •Anthony Scott et al. (2011)
C. Medical career choices and rates of return Golden and Sloan (SK)

VII. Health Care Quality and Medical Malpractice 11/26-11/28
SH (pp. 275-317)
A. How to measure quality of care?
C. Medical malpractice and medical malpractice insurance: what impacts do they have on cost and quality of care? Janet Currie and W. Bentley MacLeod (2008), •Benjamin Ho and Elaine Liu (2011), Myungho Paik et al. (2012)

VIII. Pharmaceuticals, Vaccines, and Medical Devices 12/3
SK (pp. 367-425)
A. Technological change and determinants of investment in R&D
   Amy Finkelstein (2004), Seema Jayachandran et al. (2010)
B. Direct to consumer advertising of pharmaceuticals Berndt and Donohue (SK)
C. Special characteristics of vaccines and vaccine market Joseph Cook et al. (2009)

IX. The Future 11/5
SH (pp. 693-735)
A. Are we spending too much on personal health care services?
B. The public economics of entitlements
C. Alternative financing and delivery models for the U.S.

*SH: Health Economics; SK: Incentives and Choice in Health Care, • Lower priority
34 non lower priority articles
Reading List


Cook, Joseph; Marc Jeuland; Brian Maskery; Donald Lauria; Dipika Sur; John Clemens and Dale Whittington. 2009. "Using Private Demand Studies to Calculate Socially Optimal Vaccine Subsidies in Developing Countries." Journal of Policy Analysis and Management, 28(1), 6-28. https://docs.google.com/open?id=0BzR_qWZe5JvRktEUWo3VER6a1U


Industry." American Economic Review, 102(2), 1161-85. https://docs.google.com/open?id=0BzR_qWZeas5JvYmx5dnBlbFKa1E


Paik, Myungho; Bernard S. Black; David A. Hyman and Charles Silver. 2012. "Will Tort Reform Bend the Cost Curve? Evidence from Texas." *Journal of Empirical Legal Studies*, 9(2), 173-216. [https://docs.google.com/open?id=0BzR_qWZea5JvNWN5Tmg3WGg2RzQ](https://docs.google.com/open?id=0BzR_qWZea5JvNWN5Tmg3WGg2RzQ)

Scott, Anthony; Peter Sivey; Driss Ait Ouakrim; Lisa Willenberg; Lucio Naccarella; John Furler and Doris Young. 2011. "The Effect of Financial Incentives on the Quality of Health Care Provided by Primary Care Physicians." *Cochrane Database of Systematic Reviews*, (9). [https://docs.google.com/open?id=0BzR_qWZea5JvaUm5FbGNmVEk](https://docs.google.com/open?id=0BzR_qWZea5JvaUm5FbGNmVEk)

Sheets, Nathan C.; Gregg H. Goldin; Anne-Marie Meyer; Yang Wu; YunKyung Chang; TIl Stürmer; Jordan A. Holmes; Bryce B. Reeve; Paul A. Godley; William R. Carpenter, et al. 2012. "Intensity-Modulated Radiation Therapy, Proton Therapy, or Conformal Radiation Therapy and Morbidity and Disease Control in Localized Prostate Cancer." *JAMA: The Journal of the American Medical Association*, 307(15), 1611-20. [https://docs.google.com/open?id=0BzR_qWZea5JvS0NKcUxDVWZ1QXc](https://docs.google.com/open?id=0BzR_qWZea5JvS0NKcUxDVWZ1QXc)


Sloan, Frank A.; Gabriel A. Picone; Donald H. Taylor Jr and Shin-Yi Chou. 2001. "Hospital Ownership and Cost and Quality of Care: Is There a Dime’s Worth of Difference?" *Journal of Health Economics*, 20(1), 1-21. [https://docs.google.com/open?id=0BzR_qWZea5JvaUNuNHV4Ry13QzQ](https://docs.google.com/open?id=0BzR_qWZea5JvaUNuNHV4Ry13QzQ)

Thompson, Mark A; Timothy R. Huerta and Eric W. Ford. 2012. "Mandatory Insurance Coverage and Hospital Productivity in Massachusetts: Bending the Curve?" *Health Care Management Review*. [https://docs.google.com/open?id=0BzR_qWZea5JvYTgxNHlwaHhBa3M](https://docs.google.com/open?id=0BzR_qWZea5JvYTgxNHlwaHhBa3M)