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. Students who elect to write papers will write 2 term papers. Those who elect to write the term papers will not take the final exam. I will meet with 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 two 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 type of reading consists of articles from economics journals. You will notice that the economics journal articles were mostly published very recently.

Many classes will start 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 March 6, 2014 and a final examination for students who do not write term papers from 2-5 pm on April 29th. 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:

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<tr>
<th>Component</th>
<th>Weight</th>
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<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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<tr>
<td>Class participation</td>
<td>17</td>
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<tr>
<td><strong>Total</strong></td>
<td>100%</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 (January 9th–16th)
   A. Cost effectiveness analysis (SH* (pp. 627-56); Kim and Goldie, 2009; Kim and Goldie, 2008)
   B. Cost benefit analysis (SH (pp. 657-91); Almond et al., 2010; Sloan et al., 1998)
   C. Comparative effectiveness analysis (Sheets et al., 2012)
II. Health and its determinants (January 21st – 23rd)
   A. Environmental effects on health (Currie et al., 2010)
   C. Effects of health policies on health (Fertig and Reingold, 2007)
   D. Racial disparities in health (Lawler et al., 2012)
III. Demand for Health Services (January 28th – February 6th)
   (SH (pp. 83-126); Anderson et al., 2012; Chandra et al., 2010; Finkelstein et al., 2012; Trivedi et al., 2008)
IV. Demand and Supply of Health Insurance (February 11th – 20th)
   A. Demand for health insurance SH (pp. 127-68)
1. Employer mandates for private health insurance (Buchmueller et al., 2011)
2. Long-term care insurance (Finkelstein and McGarry, 2006)
B. Supply of private health insurance (SH (pp. 417-65); Dafny, 2010; Dafny et al., 2012)
C. Public health insurance
   1. Medicare
      i. Overview SH (pp. 516-27)
      ii. Utilization (Dafny and Dranove, 2008; Engelhardt and Gruber, 2011)
      iii. Effects of Medicare implementation on health sector size (Finkelstein, 2007)
   2. Medicaid
      SH (pp. 528-34)
   3. “RomneyCare” and “ObamaCare”
      i. Health insurance exchanges (Ericson and Starc, 2012)
      ii. Impact of expanded coverage on premiums (Graves and Gruber, 2012; Hackmann et al., 2012)
      iii. Effect of expanded coverage on disparities (Long et al., 2011)
      iv. Effect of expanded coverage on productivity (Bitler and Schmidt, 2012; Thompson et al., 2012)
      v. (Hackmann, Kolstad and Kowalski, 2012; Kolstad and Kowalski, 2012; Kowalski et al., 2008)
V. Hospitals (February 25th – March 4th)
   SH (pp. 219-73)
   A. Hospital ownership and performance (Sloan et al., 2001)
   B. Paying the hospital
   C. Public regulation and competition among hospitals (Kessler and McClellan, 2000)
VI. Physicians (March 18th – 25th)
   SH (pp. 171-218)
   A. Is the market for physicians’ services unique and if so, why?
   B. Paying physicians (McGuire (SK); Golden and Sloan (SK); Eijkenaar, 2012; Scott et al., 2011)
VII. Health Care Quality and Medical Malpractice (March 27th – April 1st)
   SH (pp. 275-317)
   A. How to measure quality of care?
   B. Does provision of information on provider quality enhance social welfare? (Dafny and Dranove, 2008; Dranove et al., 2003; Jin and Leslie, 2009; Lu, 2012)
   C. Medical malpractice and medical malpractice insurance: what impacts do they have on cost and quality of care? (Currie and MacLeod, 2008; Ho and Liu, 2011; Paik et al., 2012)
VIII. Pharmaceuticals, Vaccines, and Medical Devices (April 3rd – 10th)
   SH (pp. 367-415)
A. Technological change and determinants of investment in R&D (Finkelstein, 2004; Jayachandran et al., 2010)
B. Special characteristics of vaccines and vaccine market (Jeuland et al., 2009)

IX. The Future (April 22nd)
   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.

Reading List


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(1), 1-59.


