

Health Economics Policy

ECP3990 (12534), Syllabus, Spring 2017

Class Hours: Tue / Thu, 1:00pm - 2:15pm 01/09 – 05/06/2017

Class Room: Building 74, Room 104

Final Exam Date: May 4th, 2017: 11:00am – 1:30pm

Instructor: Dr. Otto Lenhart

Office: Building 53, Room 129

Office Hours: Tuesday and Thursday, 9:00am-12:00pm

E-mail: olenhart@uwf.edu

Prerequisites: ECO2023

Textbook: Bhattacharya, J., Hyde, T, Tu, P. (2013): Health Economics. Palgrave Macmillan. ISBN: 113702996X

Course Description:

The purpose of this course is to develop/strengthen the student's ability to use economic concepts and theories to analyze health care issues and to inform decision making and policy development. The provision and production of health care have different characteristics and incentives from other consumer goods. We will cover a number of topics including aspects of the US health care market, health care in other countries, health care reform, health care policies as well as discussing some basic economic evaluation techniques.

Course Outline and Readings:

- 1) **Introduction: The Importance of Health Economics**
 - (a) The Size of the Health Care Economy
 - (b) Health Economics and Public Finance
 - (c) Health Economics and Welfare Economics

Readings:

Fuchs, V. (1996): "Economics, Values, and Health Care Reform," *American Economic Review* 86(1): 1-24.

2) **Demand for Health Care**

- (a) Experiments on the Demand for Health Care
- (b) The Slope for the Demand of Health Care
- (c) Measuring Price Sensitivities with Elasticities
- (d) The Impact of Price of Health Care on Health

Readings:

Manning et al. (1987). Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *American Economic Review* 77(3): 251-277.

3) **Demand for Health**

- (a) The Grossman Model
- (b) Comparative Statics
- (c) Unifying the Grossman Model

Readings:

Leibowitz, A. (2004): "The Demand for Health and Health Concerns after 30 Years," *Journal of Health Economics* 23(4): 663-671.

4) **Socioeconomic Disparities in Health**

- (a) The SES Health Gradient
- (b) Income and Health
- (c) Education and Health
- (d) Association, Causality or Reverse Causality?
- (e) The Allostatic Load Hypothesis
- (f) The Productive Time Hypothesis
- (g) Time Preference: The Fuchs Hypothesis

Readings:

Smith, J. (1999). "Healthy Bodies and Thick Wallets: The Dual Relationship Between Health and Economic Status," *Journal of Economic Perspectives* 13(2): 145-167.

Case et al. (2002): "Economic Stats and Health in Childhood: The Origins of the Gradient," *American Economic Review* 92(5): 1308-1334

Cutler et al. (2006): “The Determinants of Mortality,” *The Journal of Economic Perspectives* 20(3): 97-120.

5) **Supply of Health Care:**

- (a) The Labor Market for Physicians and Hospitals
- (b) Physician Wages
- (c) The Relationship between Hospital and Payers

Readings:

Sandy et al. (2009): “The Political Economy of the U.S. Primary Care,” *Health Affairs* 28 (4): 1136-1144.

6) **Demand for Insurance:**

- (a) Marginal Utility of Income
- (b) Uncertainty
- (c) Risk Aversion

7) **Adverse Selection**

- (a) Lemons Market
- (b) The Adverse Selection Death Spiral
- (c) Adverse Selection in Real Markets

Readings:

Krugman, P (2005): “Health Economics 101,” *New York Times*, November 14, 2005.
<http://query.nytimes.com/gst/fullpage.html?res=9C0CE7D6133EF937A25752C1A9639C8B63>

Gruber, J. (2010): “Why We Need the Individual Mandate,” *Center for American Progress Report*, April 8, 2010.

8) **Moral Hazard**

- (a) How to limit Moral Hazard
- (b) Evidence of Moral Hazard
- (c) The Trade-off between Moral Hazard and Risk Reduction
- (d) The Upside of Moral Hazard?

Readings:

Gladwell, M. (2005): “The Moral Hazard Myth,” *The New Yorker*, August 29, 2005.
<http://www.newyorker.com/magazine/2005/08/29/the-moral-hazard-myth>

9) **Health Policy**

- (a) The Health Policy Trilemma
- (b) How Should Health Insurance Markets Work?
- (c) How Should Health Care Provision Be Regulated?
- (d) Comparing National and International Health Policies

Readings:

McKee et al. (2013). Universal Health Coverage: A Quest for all Countries but Under Threat in Some,” *Value in Health* 31(4): 744-752.

10) **The American Model**

- (a) Employer-Sponsored Health Insurance
- (b) Medicare and Medicaid
- (c) Uninsurance
- (d) 2010 Health Reform

Readings:

Finkelstein, A. (2007). “The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare,” *Quarterly Journal of Economics* 122(1): 1-37.

Card, D., Dobkin, C., Maestas, N. (2008). “The Impact of Nearly Universal Insurance Coverage on Health Care Utilization: Evidence from Medicare,” *American Economic Review* 98(5): 2242-2258.

Cutler, D. (2013). “The Economics of the Affordable Care Act,” *New York Times*, August, 2013. http://economix.blogs.nytimes.com/2013/08/07/the-economics-of-the-affordable-care-act/?_r=0

11) **The Economics of Health Externalities**

- (a) Externalities in Health
- (b) The Coase Theorem

Readings:

Almond D., Mazumder, B. (2005). “The 1918 influenza pandemic and subsequent health outcomes: An analysis of SIPP data,” *American Economic Review: Papers and Proceedings* 95: 258-262.

Chay, K., Greenstone, M. (2003) “The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession,” *Quarterly Journal of Economics* 118(3): 1121-1167.

12) **Unhealthy behavior: evidence and policy issues**

- (a) What Explains Increasing Obesity?
- (b) The Costs of Obesity
- (c) Public Health Interventions

Readings:

Cutler et al. (2003) “Why Have Americans Become More Obese?” *NBER Working Paper* #9446.

Kenkel, D. (1991). “Health Behavior, Health Knowledge, and Schooling,” *Journal of Political Economy* 99(2): 287-305.

Case, A., Paxson, C. (2002). “Parental Behavior and Child Health,” *Health Affairs* 21(2): 164-178.

Course Grading:

Midterm Exam: 35%

Final Exam: 40%

Homework Assignments & Presentation: 20%

Class Participation: 5%

A 100-93; A- 93-90

B+ 89-87; B 86-84; B- 83-80

C+ 79-77; C 76-74; C- 73-70

D+ 69-67; D 66-64; D- 63-60

F below 60

Presentation:

Every student will present one paper from the assigned readings throughout the course of the semester. This presentation should be around 15 minutes long and provide a brief summary of the paper as well as your own interpretation of the study, its findings and its contributions to the field of health economics. What do the findings tell us and why are they important? After reading the paper, what ideas for future (potential follow-up) work do you have?

Additionally, every student should find one current article (newspaper, journal, etc.) related to the topics from class and send it to me. I will print out copies and include them in the class discussion.

Class participation requirements:

Part of the requirement is that you attend class. In addition, I will regularly reserve time for us to discuss papers from the assigned readings, where I expect everyone to contribute.

Using your cell phones and laptops during class is not allowed. If you have to take an emergency call, please step outside.

Academic Conduct and Plagiarism Statement:

The Student Code of Conduct sets forth the rules, regulations, and expected behavior of students enrolled at the University of West Florida. Violations of any rules, regulations, or behavioral expectations may result in a charge of violating the Student Code of Conduct. It is the student's responsibility to read the Student Code of Conduct and comply with these expectations. The Academic Misconduct Policy (2009) defines various forms of academic misconduct and describes the procedures an instructor should follow when he or she suspects that a student has violated the Academic Misconduct Policy.

Student Disability Resource Center Statement:

The University of West Florida supports an inclusive learning environment for all students. If there are aspects of the instruction or design of this course that hinder your full participation, such as time-limited exams, inaccessible web content, or the use of non-captioned videos and podcasts, reasonable accommodations can be arranged. Prior to receiving accommodations, you must register with the Student Disability Resource Center (SDRC). Appropriate academic accommodations will be determined based on the documented needs of the individual. For information regarding the registration process, e-mail sdrc@uwf.edu or call 850.474.2387.

Veterans Services Statement:

The UWF Military & Veterans Resource Center (MVRC) serves as a leading campus advocate for military and veterans students, working to ensure that the needs of these individuals are met through coordinating with multiple university offices and services. The center provides assistance with the following: GI Bill ® education benefits, active duty tuition assistance, out of state fee waiver, tutoring, paper reading, counseling, disability accommodations, coordinating academic advising and referral to state /federal resources and services. The MVRC is located in bldg. 38. For more information on MVRC service, call 474-2550 or visit <http://uwf.edu/militaryveterans>