

Courtney Coile

Fall 2001

**Economics 232
Health Economics
Wellesley College**

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Office Hours:
Wed 2:00-4:00
Thurs 3:00-4:00
and by appt.

Course Overview

This course explores the health care sector and health policy issues from an economic perspective. Issues to be studied include the value of health, the demand for health care, health insurance markets, managed care, medical technology, the Medicare and Medicaid programs, national health reform, and the pharmaceutical industry. The course will focus on the U.S. health care sector but will also feature discussion of other developed and developing countries. The goal of the course is to teach you to use basic economic principles to develop a better understanding of the health care sector and health policy issues, so that you may become a more informed citizen, patient, or doctor. The course will feature several case studies and in-class discussions of current issues in health policy.

Prerequisites

Economics 101 (or an approved exemption) is required in order to register for this course, as the course will presume knowledge of concepts such as supply, demand, elasticity, monopoly, etc.

Readings

The required textbook for the course is Health Economics and Policy by James Henderson (South-Western/Thomson Learning, 2nd edition, 2002). The book is available at the college bookstore and will be placed on reserve at Clapp Library.

In addition to the textbook, articles listed on the syllabus are also required reading for the course. Reading the articles is essential for understanding the material presented in class and for contributing to class discussions. These articles will be made available on the course conference one or two lectures ahead of time.

Course Requirements

Grades will be based on a midterm exam (20%), final exam (40%), problem sets/policy analysis exercises (20%), and a group paper and presentation (20%). Class participation is not graded, but is essential for your understanding of the material and for lively in-class discussions. Please come to class prepared to participate.

Students are expected to comply with the College's honor code. Working with other students on some assignments may be allowed; this will be specified on the assignment. Please notify me in the first week of the course about any foreseeable conflicts with the midterm; after this, make-ups will be allowed only for serious medical or personal problems and a note from a doctor or Class Dean may be required. Late problem sets or papers will result in a penalty of one-half a grade per day and will not be accepted more than 3 days late. Assignments are due at the beginning of class.

Syllabus

I. Introduction to Health

- September 6 No Class
- September 10 Introduction
- Henderson, Chapters 1, 2 (*review*), 3 (*pages 76-84 only*)
Paul Starr, "A Negative Consensus," in The Logic of Health Care Reform, New York: Penguin Books, 1994, pages 1-14.
- September 13 The Value of Health
- David M. Cutler and Elizabeth Richards, "Your Money and Your Life: The Value of Health and What Affects It," National Bureau of Economic Research Working Paper #6895, 1999.
Note: skip pages 34-42.
- September 17 Case Study: Matters of Life and Death: Defunding Organ Transplants in the State of Arizona
- Reading: Case Study
Henderson, Chapter 12 (*pages 393-401 only*)
Sherman Folland, Allen C. Goodman, and Miron Stano, The Economics of Health and Health Care, pages 438-441.
- September 20 Socioeconomic Status and Health
- James P. Smith, "Healthy Bodies and Thick Wallets: The Dual Relation between Health and Economic Status," Journal of Economic Perspectives 13(2): 145-166, 1999.

II. Demand for Health and Health Insurance

- September 24 Demand for Health and Health Care
- Henderson, Chapter 4
- September 27 Health Insurance I: Demand and Moral Hazard
- Henderson, Chapter 5 (*pages 170-188 only*)
Willard G. Manning et. al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," American Economic Review 77(3): 251-277, 1987.
Note: skip technical material, but be sure to read pages 251-253, 258-260, and 265-273.

- October 1 Health Insurance II: Adverse Selection
- David M. Cutler and Sarah J. Reber, "Paying for Health Insurance: The Trade-Off Between Competition and Adverse Selection," Quarterly Journal of Economics, 433-466, 1998.
Note: read pages 433-435, 444-446, 451-453 only.
- October 4 Case Study: HIV and DC: The AIDS Testing Issue
- Reading: Case Study
- October 11 Employer-Provided Health Insurance
- Brigitte Madrian, "Employer-Based Health Insurance and Job Mobility: Is There Evidence of Job Lock?" Quarterly Journal of Economics 109(1): 27-54, 1994.
Note: read pages 27-33 only.
- Paul Starr, "Breaking the Job Linkage," in The Logic of Health Care Reform, New York: Penguin Books, 1994, pages 55-69.

III. The Supply of Health Care

- October 15 and 18 Managed Care
- Henderson, Chapter 6
- David M. Cutler and Louise Sheiner, "Managed Care and the Growth of Medical Expenditures," National Bureau of Economic Research Working Paper #6140, August 1997.
Note: read pages 1-10 only.
- Robert H. Miller and Harold S. Luft, "Does Managed Care Lead to Better or Worse Quality of Care?" Health Affairs 16(5): 7-25, 1997.
- October 19 **MIDTERM**
(Pick up any time from 8am-4pm, return 1.5 hours later)
- October 22 Technology
- Burton Weisbrod, "The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment," Journal of Economic Literature 29(2): 523-552.
Note: read pages 529-552 only.
- David M. Cutler, "Public Policy for Health Care," National Bureau of Economic Research Working Paper #5591, 1996.
Note: read pages 11-19 only.

October 25

Hospitals

Henderson, Chapter 8

Richard G. Frank and David S. Salkever, "Nonprofit Organization in the Health Sector," Journal of Economic Perspectives 8(4):129-144, 1994.

Martin Gaynor and Deborah Haas-Wilson, "Change, Consolidation, and Competition in Health Care Markets," Journal of Economic Perspectives 13(1): 141-164, 1999.

October 29

Physicians and Malpractice

Henderson, Chapters 7 and 11

Jonathan Gruber and Maria Owing, "Physician Financial Incentives and Cesarean Section Delivery," RAND Journal of Economics 27(1):99-123, 1996.

Note: read pages 99-104 only.

IV. Government Intervention in Health Markets

November 1

Reasons for Government Intervention

Henderson, Chapter 3 (*pages 84-115 only*)

November 5 and 8

Medicare and Long-Term Care

Henderson, Chapters 13 (*pages 424-433*), 14, and 10

John Iglehart, "The American Health Care System: Medicare," New England Journal of Medicine 340(4):327-332, 1999.

David M. Cutler and Louise Sheiner, "Policy Options for Long-Term Care," National Bureau of Economic Research Working Paper #4302, 1993.

Note: read pages 1-15 only.

November 12 and 15

Medicaid and Policies for the Uninsured

Henderson, Chapters 13 (*pages 433-452*) and 5 (*pages 189-203*)

Jonathan Gruber, "Health Insurance for Poor Women and Children in the U.S.: Lessons from the Past Decade," mimeo, 1996.

Kaiser Commission on Medicaid and the Uninsured, "The Uninsured and Their Access to Health Care," mimeo, May 2000.

Jonathan Gruber and Larry Levitt, "Tax Subsidies for Health Insurance: Costs and Benefits," Health Affairs, January/February 2000.

November 19 and 26

Fundamental Health Care Reform

Henderson, Chapter 16

Alan B. Krueger and Uwe E. Reinhardt, "The Economics of Employer versus Individual Mandates," Health Affairs 13(2): 34-53, 1994.

Henry Aaron. Serious and Unstable Condition: Financing America's Health Care. Washington, D.C.: The Brookings Institution, 1991, pages 109-152.

David M. Cutler, "A Guide to Health Care Reform," Journal of Economic Perspectives 8(3): 13-29.

Note: read pages 21-29 only.

V. Prescription Drugs

November 29

Pharmaceutical Industry

Henderson, Chapter 12 (pages 401-423 only)

F. M. Scherer, "Pricing, Profits, and Technological Progress in the Pharmaceutical Industry," Journal of Economic Perspectives 7(3): 97-115, 1993.

December 3

Case Study: Vaccines for the Developing World: The Challenge to Justify Tiered Pricing

Reading: Case Study

VI. International Comparisons

December 6 and 10

Class Presentations

Health Care in Other Developed and Developing Countries

Henderson, Chapter 15

George Schieber et. al. "Health Spending, Delivery, and Outcomes in OECD Countries," in Debating Health Care Reform: A Primer from Health Affairs. Bethesda: Health Affairs, 1993, pages 162-171.

The World Bank. Financing Health Services in Developing Countries. Washington, D.C.: The World Bank, 1987, pages 10-48.

December 10

Papers due at 5pm