

**ECON 232: HEALTH ECONOMICS
Fall Semester, 2006**

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Office hours: Mondays 4:15-5:15pm, Wednesdays 11:15am-12:15pm and 3:30-4:30pm, and by appointment

COURSE DESCRIPTION:

This course explores economic analyses of health outcomes, the health care sector, and health policy issues. Issues to be studied include the value of health, the demand for health care, health insurance markets, and managed care. Studies on health outcomes will include analyses on obesity, race, and socioeconomic status. The course will focus on the U.S., but many topics will have applications to other developed as well as less-developed countries. The goal of the course is to teach students how economists evaluate health outcomes, and to use basic economic principles to develop a better understanding of the health care sector and health policy issues. The course will feature in-class discussions about health care policy as well as current issues in health outcomes.

PREREQUISITE: ECON 101. You are expected not merely to have taken Econ101, but also to recall the material.

COURSE MEETINGS:

The class will meet on Mondays and Thursdays from **2:50-4pm** in **139 Pendleton East**. Additionally, the class is scheduled to meet alternative (ALT1) Wednesdays from **2:15-3:25pm** in **117 Pendleton West**. We will be using all of these alternative days.

COURSE CONFERENCE:

You will automatically be subscribed to the course conference. Please get in the habit of checking it when you check your email. I will use the conference to make announcements and post assignments and handouts, and you can use it to ask questions of me or of your fellow students. You are responsible for anything on the course conference.

COURSE REQUIREMENTS:

1. **PROBLEM SETS.** There will be four problem sets. You should work in groups of up to three, and hand in one set of answers per group. Working in groups is optional; you may also work alone. The problem sets will be due **AT THE BEGINNING** of class. **I DO NOT ACCEPT LATE PROBLEM SETS AT ALL.**
2. **RESEARCH PAPER.** A 15-page research paper will be written by student groups on a topic in health economics. Students **MUST** work in groups of three. More specific guidelines will be handed out regarding topics and format requirements. Additionally, there will be two required Paper Proposals due during the semester. I will provide guidance on the papers via comments on these preliminary assignments and additional office hours. I will not read drafts. Late papers will result in a penalty of one half of a grade per day and will not be accepted more than 3 days late.
3. **RESEARCH PAPER PRESENTATION.** Each group will give a 15-minute presentation of its research paper in class at the end of the semester (see below for dates). These classes are **MANDATORY** for all enrolled students; if you do not attend, I will deduct points from your grade.
4. **2 MIDTERMS.** The two midterm exams will be closed book, in-class exams. Please notify me by **September 14** about any foreseeable conflicts with the midterms; after the first week, make-ups will be allowed only for serious medical or personal problems and a note from a Class Dean will be required.

GRADING:

Grades will be based on two midterm exams (each 25%), a research paper and presentation (30%), and problem sets (20%). Class participation may improve a borderline grade. Students are expected to comply with the College's honor code. Working with other students is permitted on everything except the midterms.

READING ASSIGNMENTS:

The primary text for the course is James W. Henderson, *Health Economics and Policy*, Third Ed., Thomson/South-Western, 2005. 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. All of these articles are already available on the course conference.

CONTACTING THE PROFESSOR VIA EMAIL:

I will make every effort to respond to emails quickly; however, allow 24 hours for a response to an email. I cannot guarantee that if you email me the night before something is due, that I will be able to respond in time for it to make a difference in terms of your assignment. Additionally, I encourage you to use the class conference to ask questions, as other students may have similar concerns. If you have a question about class but would like for it to appear on the course conference anonymously, please email me it to me directly. Please state that you would like it posted anonymously to the course conference.

COURSE OUTLINE AND READINGS:**PART I: INTRODUCTION, HEALTH ECONOMICS DEFINED, AND ETHICS**

- Thurs., Sept. 7: Introduction
? Henderson, Ch. 1
- Mon., Sept. 11: Background on Health Care and Health in the U.S.
? Henderson, Ch 2
? U.S. Department of Health and Human Services, *Health, United States, 2005, Chartbook on Trends*, Washington, D.C.: National Center for Health Statistics, 2004, just pages 20-49.
- Thurs., Sept. 14: Demand for Health and Medical Care
? Henderson, Ch. 5
- Mon., Sept. 18: Pricing the Priceless
? Henderson, Ch. 3, Ch. 4 pp. 101-107
? David M. Cutler and Elizabeth Richardson, "Your money or your life: The value of health and what affects it," *NBER Working Paper* #6895, 1999.
- Wed., Sept. 20: Case study (2:15-3:25pm, 117 Pendleton West)
? "Matters of Life and Death: Defunding Organ Transplants in the State of Arizona"
? Documentary viewing and class discussion

PART II: PRIVATE AND PUBLIC HEALTH INSURANCE

- Thurs., Sept. 21: Effect of Health Insurance on Demand for Health Care **(PROBLEM SET #1 DUE)**
? Henderson, Ch. 5, pp. 141-143
? Watch online: "Private Health Insurance," KaiserEDU.org tutorial:
http://www.kaiseredu.org/tutorials_index.asp#Private
- Mon., Sept. 25: Demand for Health Insurance
? Henderson, Ch.6, pp. 154-168

- Thurs., Sept. 28: Demand for Health Insurance, continued
 ? Willard G. Manning, et.al., "Health insurance and the demand for medical care: Evidence from a randomized experiment," *American Economic Review* 77(3), 1987, pp. 251-277. Skip technical material.
- Mon., Oct. 2: Managed Care
 ? Henderson, Ch. 7
 ? Robert H. Miller and Harold S. Luft, "Does managed care lead to better or worse quality of care? A survey of recent studies shows mixed results on managed care plan performance," *Health Affairs*, 16(5), 1997, pp. 7-25.
- Wed., Oct. 4: Managed Care, continued (1:45-2:15 optional, 2:15-3:25pmclass, 117 Pendleton West)
 ? "The high price of health"
 ? Documentary viewing and class discussion
 ? We will watch the documentary from 1:45-2:45 in 117 PNW; 2:45-3:25 will be class discussion
 ? You can either check out the documentary from Knapp, or optionally watch it from 1:45-2:45 in PNW117.
- Thurs., Oct. 5: Medicare **(PAPER PROPOSAL I DUE)**
 ? Henderson, Ch. 14, pp. 345-353
 ? John Iglehart, "The American Health Care System: Medicare," *The New England Journal of Medicine* 340(4), 1999, pp. 327-332.
 ? Watch online: "Medicare 101," KaiserEDU.org tutorial:
http://www.kaiseredu.org/tutorials/Medicare101_2006/player.html
- Mon., Oct. 9: Fall Break – No class.
- Thurs., Oct. 12: Medicare, continued
 ? Henderson, Ch. 11
- Mon., Oct. 16: Medicaid **(PROBLEM SET #2 DUE)**
 ? Henderson, Ch. 14, pp. 353-359, and Ch. 6, pp. 169-180
 ? Jonathan Gruber, "Policy watch: Medicaid and uninsured women and children," *The Journal of Economic Perspectives* 11(4), 1997, pp. 199-208.
 ? Watch online: "Medicaid 101," KaiserEDU.org tutorial:
<http://www.kaiseredu.org/tutorials/medicaidbasics/medicaid.html>
- Wed., Oct. 18: MIDTERM REVIEW (2:15-3:25pm, 117 Pendleton West)
- Thurs., Oct. 19: Midterm#1 (in class)

PART III: COST CONTAINMENT OF HEALTH CARE

- Mon., Oct. 23: Cost containment in Private Health Insurance
 ? Henderson, Ch. 17
- Thurs., Oct. 26: Cost Containment in Public Health Insurance
 ? Henderson, Ch. 15
 ? David Cutler, "Restructuring Medicare for the Future," in *Setting National Priorities: Budget Choices for the Next Century*. Washington, D.C.: Brookings Institution Press, 1997, pp. 197-233.

- Mon., Oct. 30: Do More Prescriptions Lead to Lower Costs?
 ? Henderson, pp.329-343
 ? Ernst Berndt, "Pharmaceuticals in U.S. Health Care: Determinants of Quantity and Price," *The Journal of Economic Perspectives* 16(4), 2002, pp. 45-66.
- Wed., Nov. 1: Health Insurance Cost Problems (1:45-2:15 optional, 2:15-3:25pmclass, 117 Pendleton West)
 ? "Breakdown: America's Health Insurance Crisis"
 ? Documentary viewing and class discussion
 ? We will watch the documentary from 1:45-2:30 in 117 PNW; 2:30-3:25 will be class discussion
 ? You can either check out the documentary from Knapp, or optionally watch it from 1:45-2:30 in PNW117.
- Thurs., Nov. 2: Medical Malpractice **(PAPER PROPOSAL II DUE)**
 ? Henderson, Ch. 12
 ? Chandra, Amitabh, Shantanu Nundy, and Seth Seabury, "The Growth of Physician Medical Malpractice Payments: Evidence from the National Practitioner Data Bank," *Health Affairs Web Exclusive*, May 31, 2005, pp. W5240-W5249.
- Mon., Nov. 6: Consolidation in health care markets
 ? Henderson, Ch. 9, just pp. 228-243
 ? Martin Gaynor and Deborah Haas-Wilson, "Change, consolidation, and competition in health care markets," *Journal of Economic Perspectives* 13(1), 1999, pp. 141-164.
(MEET WITH PROFESSOR THIS WEEK TO DISCUSS PAPER)

PART IV: ECONOMIC STUDIES OF HEALTH OUTCOMES

- Thurs., Nov. 9: Wealth and Health **(PROBLEM SET #3 DUE)**
 ? James P. Smith, "Healthy bodies and thick wallets: The dual relationship between health and economic status," *Journal of Economic Perspectives* 13(2), 1999, pp. 145-166.
- Mon., Nov. 13: Race and Health
 ? Kenneth Chay and Michael Greenstone, "The Convergence in Black-White Infant Mortality Rates during the 1960's," *The American Economic Review* 90(2), 2000, pp. 326-332.
 ? Watch online: "Race, Ethnicity, and Health Care," KaiserEDU.org tutorial:
http://www.kaiseredu.org/tutorials/race-ethnicity/cayatutorial2_updatedbuttons.html
- Wed., Nov. 15: Race and Health, continued (1:45-2:15 optional, 2:15-3:25pmclass, 117 Pendleton West)
 ? "The Angry Heart: The Impact of Racism on Heart Disease Among African Americans"
 ? Documentary viewing and class discussion
 ? We will watch the documentary from 1:45-2:45 in 117 PNW; 2:45-3:25 will be class discussion
 ? You can either check out the documentary from Knapp, or optionally watch it from 1:45-2:45 in PNW117.
- Mon., Nov. 20: The Very Young
 ? David M. Cutler, "Success and failure at the beginning of life," in *Your Money or Your Life: Strong Medicine for America's Health Care System*, Oxford University Press, 2004, pp. 22-31.
 ? James S. Marks, Jeffrey P. Koplan, Carol J.R. Hogue, Michael E. Dalmat, 1990, "A Cost-Benefit/Cost-Effectiveness Analysis of Smoking Cessation for Pregnant Women," *American Journal of Preventive Medicine* 6(3), pp. 282-289.

- Mon., Nov. 27: Obesity **(PROBLEM SET #4 DUE)**
? Mokdad et al. "The Spread of the Obesity Epidemic in the United States, 1991-1998,"
Journal of the American Medical Association 282(16), 1999, pp. 1519-1522.
? Kitt Carpenter, "Sexual Orientation and Body Weight: Evidence from Multiple Surveys,"
Gender Issues 21(3), 2004, pp. 60-74.
- Wed., Nov., 29: Optional Midterm #2 Review **(5:30-6:45pm, 139 Pendleton East)**
- Thurs., Nov. 30: Midterm #2 (in class)
- Mon., Dec. 4 Student Presentations (ATTENDANCE IS MANDATORY)
- Thurs., Dec. 7: Student Presentations (ATTENDANCE IS MANDATORY)
- Mon., Dec. 11: Student Presentations (ATTENDANCE IS MANDATORY)
- Thurs., Dec. 13: Research papers due by 4:30pm