

ECONOMICS 75: HEALTH ECONOMICS

E. Magenheim
Office Hours: Wednesday: 1:15 – 3:00 pm
x8140

Spring 2009
Office: Kohlberg 211

Course Description:

This course applies the tools of microeconomic analysis to health and health care. We will analyze the determinants of demand for and supply of health care, including the relationship between demographic variables, health status, and health care consumption. The structure and behavior of the major components of the supply side will be studied, including physicians, hospitals, and insurance companies. The variety of ways in which the government intervenes in the health care sector—including regulation, antitrust, social insurance, and direct provision—will be considered. Although the primary focus is on the economics of health care in the United States we will broaden our focus internationally during our study of health care systems and global issues in public health.

Required Texts:

The Economics of Health and Health Care, 5th edition: Folland, Goodman, and Stano. Prentice Hall, 2006. (referred to below as FGS)

Course Requirements:

All course assignments will be posted on Blackboard. Check Blackboard regularly for announcements as well as assignments.

Preparation for Class: Students should do the week's assigned readings prior to coming to class. Readings marked with an asterisk are recommended but not required. In some cases the additional readings are supplements to the regular reading and in other cases they present the material at a more advanced level.

Writing: Students will write a series of related papers focusing on a health or health policy problem. Detailed descriptions of the assignments are on Blackboard. The WAs for this course are Stephanie Whang and Dianna Williams.

Policy Discussions on Blackboard: Each week two students will be responsible for starting a discussion on Blackboard regarding a health topic in the news for that week. Each student must read and comment analytically on the discussion thread; you are welcome to post more than once but must do so at least once. The initial comments starting the thread should be posted by Wednesday at 10 pm and all comments should be made by Sunday at 10 pm. You can select any current topic as the topic for the original postings but it would be best if they relate somehow to the topic we will be covering in

the next class meeting and that they be topics about which there can be productive discussion. We will then follow up questions raised by the discussion in the subsequent class.

Evaluation:

The final grade will be calculated as follows:

Papers	35 percent
Class and virtual participation and presentations	15 percent
Midterm Exam	20 percent
Final Exam	30 percent

READING LIST, ASSIGNMENTS, AND EVENTS

January 19: Introduction to the Issues; Overview of Neoclassical and Behavioral Economic Approaches to Understanding Health and Health Care

FGS: Chapters 1-2

*Frank, Richard G., "Behavioral Economics and Health Economics"

<http://www.yjs.fi/tiedotefiles/Frank.pdf>

January 26: The Analytical Tools of Health Economics

FGS: Chapters 3-4

Submit (by e-mail) proposed paper topic by 9 am on January 26

Library research training: meet in 3rd floor classroom in McCabe at 1:15 pm

February 2: The Production of Health and Health Care

FGS: Chapters 5-6

Draft Paper 1 due

*Garber, Alan and Skinner, Jonathan, "Is American Health Care Uniquely Inefficient?" *Journal of Economic Perspectives*, 22(4), Fall 2008, 27-50.

<http://www.atypon-link.com.proxy.swarthmore.edu/AEAP/doi/pdf/10.1257/jep.22.4.27>

February 9: Supply and Demand

FGS: Chapters 7-9

February 16: Information and Insurance

FGS: Chapters 10-11

Revised Paper 1 due

February 23: Managed Care and Nonprofit Enterprises, Institutional Providers of Medical Care

FGS: Chapters 12-14

Midterm (1 hour)

March 2: The Health Care Labor Market

FGS: Chapter 15-16

Draft Paper 2 due

*Dill, Michael and Salsburg, Edward. "The Complexities of Physician Supply and Demand: Projections through 2025." Association of American Medical Colleges, November 2008.
<http://www.tht.org/education/resources/AAMC.pdf>

March 9: Spring break

March 16: Pharmaceuticals: Treatments and Industry

FGS: Chapter 17

March 23: Government Intervention in the Health Care Market

FGS: Chapters 18-19

Revised Paper 2 due

March 29: No class

April 6: Social Insurance and Comparative Health Systems

FGS: Chapters 20-22

Draft Paper 3 due

April 13: Comparing Health Systems

FGS: Chapter 22

<http://www.pbs.org/wgbh/pages/frontline/sickaroundamerica/>

<http://www.pbs.org/wgbh/pages/frontline/sickaroundtheworld/>

In class, you will sign up to specialize in a particular country or state for a discussion about comparative health systems. You will find some information by watching the Frontline shows that you can find at the links above and by reading the chapter in your textbook. In addition, you should find at least one article (try Health Affairs first) that furthers your understanding about your chosen health care system.

April 20: Paper Presentations (class begins at 12:30 pm and ends at 5 pm)

April 27: Paper Presentations (class begins at 12:30 pm and ends at 5 pm)

Final exam May 11, 9 am – 12 pm, Kohlberg 226

Integrated Research Paper due last May 16, 5 pm

Revised, July 23, 2009

WRITING ASSIGNMENTS FOR EC75
HEALTH ECONOMICS
SPRING 2009

Goals:

This course is designed to teach students how to apply microeconomic tools to the analysis of health and health care. This particular market poses especially challenging areas of study because it is characterized by critical public policy concerns, significant deviations from the model of perfect competition, and is of growing significance as a portion of the overall economy. Study of this market also requires that students reach beyond pure economics to embrace issues in public policy, law, health services research, biology, and bioethics. The writing assignments are designed so as to help students learn to employ economic arguments in their writing while also integrating information and perspectives from related disciplines.

Writing in this course will fall into two categories. The formal, analytical writing will consist of 3 5-page papers (integrated into one paper at the end of the semester) on a significant problem in health or health policy. Students will also write an op-ed on health care reform at the beginning and at the end of the semester and participate in an on-line discussion of current issues in health care and health policy throughout the semester.

The series of research papers will be reviewed by WAs, revised, and resubmitted. Each of the 5-page papers should be submitted electronically and also in hard copy directly to me (do not hand in papers to the WAs). You will meet with your WA to review your draft papers. The WA copy as well as the revised final copy should be submitted to me on the due date; the WA copy should be submitted in paper and the final copy electronically. Penalties will be imposed for late papers.

The first two papers will be revised and resubmitted and I will assign a grade to each of those papers. The third paper will be revised and resubmitted as part of the overall integrated paper (not separately). I will grade the integrated paper and your overall paper grade will be a weighted average of the grades on the first two papers and the final paper.

Research Papers:

Each student will select a major problem in health, public health, or health policy and write a series of papers, each of which will be no more than 5 pages long. When writing these papers the students should write for the following audience: a policymaker dealing with the relevant health care issue who understands basic economics but is not a professional economist.

The three papers are structured as follows:

First assignment: submit paper topic by e-mail by 9 am on Monday January 26

Research Paper 1: Definition and scope of the topic

Draft due February 2, revised due February 16

Research Paper 2: Economic issues associated with the topic (e.g., cost of treatment, cost of associated lost work days, negative externalities)

Draft due March 2, revised due March 23

Research Paper 3: Review of existing public policy related to the topic and recommendations for improved public policy response

Draft due April 6, revisions submitted only as part of integrated paper

Integration of Papers 1 – 3: Due 5 pm on May 16

Students are welcome to meet with me at any time in the process of writing the papers. Each student will be required to meet with me about the papers at some point during the semester; I will set up a schedule for this and announce it in class.

Some paper topic suggestions:

As you think about possible paper topics, you should consider how to frame the topic so that it is manageable within the constraints of three five-page papers. For example, if you were going to focus on diabetes you might focus on youth and adolescents or if you were going to focus on overtreatment, you might focus on the elderly. I can help you figure out how to focus your topic once you have selected the general topic.

People particularly interested in health issues internationally can pursue that interest either by picking a global health problem (e.g., malaria or AIDS) or by incorporating a comparative element in your research (e.g., you might look at the problem of the uninsured and consider how it is dealt with in health systems in several countries).

The topics below are suggestions and you are not limited to topics listed here.

Obesity
Depression
Cardiovascular disease
Diabetes
Smoking
Alcoholism
Malaria
AIDS
Malnutrition
Uninsured populations
Overtreatment

Access to quality health care
Access to mental health care
Population aging
Infant mortality and morbidity

Final Presentation Assignment EC 75 2009

Each student will do a presentation based on the research and analysis conducted for the papers; these presentations will occur during the last two class sessions, on April 20 and 27. The primary purpose of the presentation is to share what you've learned with your class colleagues and to solicit from them guidance on further explorations and analyses you might conduct before preparing the final paper. A secondary purpose is for your colleagues to have a chance to apply what they have learned about health economics to the particular topics addressed in the papers.

You should plan to speak for about 20-25 minutes and then lead a discussion for 10-15 minutes; each person's total presentation should take 40 minutes. It is up to you to decide on the specific balance between formal presentation and discussion. It is advisable to use power point or some other presentation software rather than handing out tables, charts, or other materials. Try to be creative (more creative than you might be able to be within the structure of a research paper) in how you present your material, using whatever media might be instructive and informative (e.g., photographs, video clips, etc.).

To guide the discussion, please prepare a list of discussion questions; these might focus on topics about which you would particularly appreciate feedback or questions that will help your audience understand the connections between your presentation and health economics. The discussion questions should be e-mailed to emagenh1 by 9 am on the day of your presentation so that they can be compiled and copied for distribution.

An excellent presentation will be well organized, appropriately timed (practice your presentation in advance to be sure you have the right amount of material for the allotted time), effective at conveying information that will be new to most members of the audience, and that inspires engaged discussion.

GROUP IN-CLASS EXERCISES FOR EC75
HEALTH ECONOMICS
SPRING 2009

Exercise 1: For Profit and Nonprofit Status

March 2, 2009

EC 75

You are a member of a team that has been given the task of opening a new:

Group a: hospital

Group b: nursing home

Group c: HMO (staff model)

A key decision that you need to make before you move ahead with getting financing and designing your operations is whether to be a for-profit or a non-profit entity.

Consider the following points with respect to your task and make a decision as to whether to be for-profit or nonprofit (being public is not an option in this case). Be prepared to explain the significance of each of the elements below in causing you to choose for-profit or nonprofit status; be prepared, too, to explain what assumptions you made about each of these points.

1. Need to financial capital to start operations, continue them, and possibly expand
2. Information asymmetries with respect to the services provided by your organization
3. Governance structures
4. Employee (all levels) compensation
5. Nonprofit or for-profit status as a signal
6. Objective function
7. Market (is the market perfectly or imperfectly competitive, what are the characteristics of your competitors)
8. Efficiency
9. Relevant legislation
10. Characteristics of your prospective patients/clients/customers

Exercise 2: Health Care Labor Supply

March 16, 2009

EC 75

Imagine that you are appointed the head of a task force to design a health care labor policy. Your goal is to ensure that there is an efficient and adequate supply of health care professionals (doctors, both generalists and specialists; nurses, technicians, educators) in the year 2030.

- a. What do you see as the key problems that need to be addressed
- b. What policies do you recommend to address these problems? Which problems do you think will be addressed by health care markets without or with minimal government intervention?

In constructing your answers to (a) and (b), assume your task force has been asked to design an approach that minimizes costs and maximizes access to health care subject to whatever constraints you need to work within (e.g., constraints imposed by demographic trends). You should also keep in mind what you have read and learned about other aspects of the health care supply side—e.g., hospitals, insurance, etc.

Exercise 3: Health Care Policy Design

March 23, 2009

EC 75

Many of the challenges facing health care policy experts today arise from the fact that they are trying to figure out how to make a transition from the current complex and ill-functioning system. It is a difficult challenge to think about how you would design a system from scratch. Imagine that you are appointed the head of a task force to design a completely new health care system for the United States.

Using the material in this week's reading as well as your knowledge of economics more generally, and material you have learned this semester about the specific features and problems of the health care system, your job is to specify the overarching goals for a health care system and consider whether they are consistent with or at odds with economic criteria for efficiency.

Each group should be able to specify and explain at least five goals, explain for each one how they relate to economic efficiency criteria, and note the challenges that would be faced in achieving the goals. (The challenges can extend beyond economics to include politics, equity considerations, global health and economic issues, etc.)

Exercise 4: Medicare Reform

April 6, 2009

EC 75

You are on a team of policy analysts who will advise President Obama as to how to ensure the solvency of all parts of the Medicare program. Obviously, that will require lowering costs, raising revenues, or both. Prepare a brief proposal that addresses the following questions:

1. How can the costs of the Medicare program be lowered?
2. How can revenues be raised?
3. What is the political viability of your set of proposals?

Your immediate goal is to maintain solvency but you also need to consider what tradeoffs you are willing to make: e.g., reducing returns to physicians or drug companies, restricting access to certain types of care, increasing charges to higher income beneficiaries, changing the structure of the health care labor market. Be able to be explicit about these issues as you present your recommendations.

Be **bold** in making your proposals: although you can propose incremental changes, you should also feel free to propose major changes based on a wide ranging restructuring of Medicare or, more broadly, the health care system in the US. Alternatively (or additionally) you can incorporate strategies aimed at helping individuals have healthier lifestyles.

Be sure to consider your goals for Medicare reform, including whether it should continue to be primarily a social insurance program or whether there are alternative models you want to pursue.

Also be sure to think about (and try to describe graphically) the effect of changes in Medicare on consumption of health care. For example, consider how an increase in premiums for Medicare would affect demand vs. increases in deductibles or copayments and think about how changes in tax revenues to finance Medicare would affect consumer demand.

Exercise 5: Comparative Health Systems

April 13, 2009

EC 75

Each student will select a country from a list of countries representing a very diverse set of health care systems. Students will come to class prepared to talk about the key features and the major strengths and weaknesses of the health care system in the student's selected country. (The 2009 final list of selected countries included the UK, Japan, Germany, Taiwan, the Netherlands, France, Canada, Denmark, South Africa, Brazil, and Indonesia).