

HEALTH ECONOMICS

01:220:316:02

Spring 2014

Hardenbergh Hall (HH), Room A7

Mon/Wed, 1:10-2:30 pm

Contact Information

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Office Hours: Monday and Wednesday 4:30-5:30 pm & by appointment

Final Exam Date

May 13, 2014

Learning Goals

This course is an upper-level economics elective. Students will apply the basic principles of microeconomics and industrial organization to the health care industry. The course has a disproportionate focus on healthcare in the United States but will cover other nations as well.

By the end of the course, students should be able to answer the following questions.

- What are the long run economic drivers of the health care system?
- What are the main inefficiencies in the current health care system? How have regulators attempted to eliminate inefficiencies?
- What are the economics behind alternative healthcare reform proposals?

Students will also be able to:

- Use cost-benefit analysis to evaluate medical technology.

- Describe the U.S. health insurance industry and employee health benefit offerings, including Consumer Driven Health Plans. Explain the incentives facing health insurers and the strategies they use to successfully compete. Understand the welfare implications of those strategies.
- Discuss the role of health care providers in shaping the demand for medical care. Understand the issue of medical practice variations.
- Understand the strengths and weakness of current approaches to measuring and rewarding provider quality.
- Understand provider and supplier pricing strategies.
- Evaluate the strengths and weaknesses of the U.S. medical liability system.

Course Website

<https://sakai.rutgers.edu>

You will be responsible for every announcement posted on Sakai. Please make sure you receive notifications through Sakai and check the web page on a regular basis.

Prerequisites

Intermediate Microeconomics, Econometrics

Class Policies

The University has clear rules about academic integrity, which apply to this course:

<http://ctaar.rutgers.edu/integrity/policy.html>.

In addition, I have the following class policies:

- No Laptop Computers
- No Cell Phones and No Text Messaging
- No Food (Drink is ok)
- Attendance of class is required. You will be responsible for every announcement made in class. If you expect to miss classes because of illness or emergency, please use the University absence reporting website: <https://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence. An email is automatically sent to me.

Course Grading

Course grades will be based on three exams and a group project:

	Date	Weight
Midterm 1	February 19	30%
Midterm 2	April 2	30%
Final Exam	May 13	30%
Group Project	April 28	10%
Homework Questions		0%

To help you master the course material, I will prepare and post homework questions and solutions. You will not turn in your solutions, but I will discuss the solutions to some questions at the start of each class.

No make-up exams are given unless validated and written reasons are provided.

Your letter grade will be determined according to the following scale:

Numerical Grade	Letter Grade
90-100	A
85-89.99	B+
80-84.99	B
75-79.99	C+
70-74.99	C
60-69.99	D
0-59.99	F

Group Project

Please see instructions posted on Sakai.

Course Material

This course is mostly based on my lecture notes. There is no assigned textbook. I recommend the following book for reference. This book is available at the bookstore. I have placed a personal copy of mine on reserve at the Alexander Library. (You can keep the book for 2 hours in the library.)

- S. Folland, A. Goodman, & M. Stano. *The Economics of Health and Health Care*. 7th Ed. Pearson Prentice Hall. 2012

The readings consist of several articles that review scholarly research, and a handful of seminal original research studies. I expect you to come to class with a good understanding of the assigned readings.

All course material will be found on Sakai.

Lecture Topics and Readings

Week 1 (January 22): Introduction

Folland, Goodman, and Stano, 2012, *The Economics of Health and Health Care*, 7th Edition, Chapter 1: Introduction

Week 2 (January 27): The Healthcare Quadrilemma

Weisbrod, B., 1991, “The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment” *Journal of Economic Literature*, 29: 523-552.

Week 2 (January 29) and Week 3 (February 3 and 5): Valuing Health

Viscusi, K., 2008, “The Value of Life: Estimates with Risks by Occupation and Industry” Vanderbilt University Law School Working Paper

Week 4 (February 10 and 12) and Week 5 (February 17): Technology Evaluation

Philips, C. 2009, “What is a QALY?” Sanofi-Aventis Health Economics

Week 5 (February 19): Midterm 1

Week 6 (February 24 and 26), Week 7 (March 3 and 5) and Week 8 (March 10): Health Insurance and Adverse Selection

Week 9 (March 17 and 19): Spring Break

Week 8 (March 12) and Week 10 (March 24 and 26) and Week 11 (March 31): Inefficient Healthcare Market – Marcus Welby Medicine and Demand Inducement

Arrow, K., 1963, “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review*, 53(5): 941-73.

Week 11 (April 2): Midterm 2

Week 12 (April 7 and 9): The Inefficient Healthcare Market – Insurance Moral Hazard

Gruber, J., 2006, “The Role of Consumer Copayments for Health Care: Lessons from the RAND Health Insurance Experiment and Beyond”

Week 13 (April 14): The Inefficient Healthcare Market – Practice Variation

Week 13 (April 16): Pricing

Week 14 (April 21): Addressing the Inefficiencies –Integration and Competition

Burns, L. and Pauly, M., 2002, “Integrated Delivery System: A Detour On the Road to Integrated Health Care?” *Health Affairs*, 21, no.4 (2002):128-143

Week 14 (April 23): Addressing the Inefficiencies – Quality

Fung, C. et al., 2008, “Systematic Review: The Evidence that Publishing Patient Care Performance Data Improves Quality of Care” *Annals of Internal Medicine*, 148(2): 111-23.

Harris, K. and M. Buntin, 2008, “Choosing a Healthcare Provider: The Role of Quality Information” RWJF Synthesis Project

Also, please take a look at the following quality report cards:

Healthgrades (www.healthgrades.com)

Leapfrog Group (www.leapfroggroup.org/for_consumers)

Niagara HQC (www.myhealthfinder.com)

Medicare Hospital Compare (www.hospitalcompare.hhs.gov)

Week 15 (April 28 and 30): Group Project Presentation

Note: Group project is due on April 28.

Week 16 (May 5): Course Review