

HEALTH ECONOMICS

01:220:433:02

Fall 2023

Class Meetings

Time: Monday/Thursday, 10:20-11:40 am

Location: Murray Hall 211

Contact Information

Bingxiao Wu, Ph.D., Assistant Professor, Department of Economics, Rutgers University – New Brunswick

Email: bwu@econ.rutgers.edu (Please use subject line: Health Econ 433 Sec 02, Fall 2023)

Office Hours: See Canvas for announcement.

Final Exam Date/Time: TBD (In-person. Murray Hall 211.)

Course Website

<https://canvas.rutgers.edu>

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

Learning Goals

This course is an upper-level economics elective. Students will apply the basic principles of microeconomics 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. 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.

Prerequisites

Intermediate Microeconomics, Econometrics

Academic Integrity

The University has clear rules about academic integrity, which apply to this course:
<http://ctaar.rutgers.edu/integrity/policy.html>

Course Grading

	Date	Weight
Midterm 1	Oct. 9 (tentative)	30%
Midterm 2	Nov. 16 (tentative)	30%
Final Exam	TBD	30%
Homework Assignments (with answers posted)		0%
Weekly Discussion Assignments on Canvas		10%
Total		100%
Extra Credit: Essay (Optional)		Up to 2%

To help you master the course material, I will prepare and post a set of practice questions with solutions before each exam. I will discuss the solutions to some questions in 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

Course Material

This course is based on my lecture notes and the assigned readings. The readings consist of several articles that review scholarly research. I expect you to come to class with a good understanding of the assigned readings. There is no required textbook. The following books are for reference:

Folland, S., Goodman, A., and Stano, M., 2017, *The Economics of Health and Health Care (8th Edition)*.

Phelps, C., 2017, *Health Economics (6th Edition)*.

All course materials will be found on Canvas.

Lecture Topics and Readings

(Schedules are subject to change. Please see weekly modules on Canvas for updated information.)

1. Introduction/The Healthcare Quadrilemma

Folland, Goodman, and Stano, 2017, *The Economics of Health and Health Care, 8th Edition*, Chapter 1: Introduction

Weisbrod, B.A., 1991. The health care quadrilemma: an essay on technological change, insurance, quality of care, and cost containment. *Journal of Economic Literature*, 29(2), pp.523-552.

Congressional Budget Office, 2008, "Technological Change and the Growth of Health Care Spending"

2. Valuing Health

Viscusi, W.K., 2004. The value of life: estimates with risks by occupation and industry. *Economic Inquiry*, 42(1), pp.29-48.

3. Cost-Effectiveness Analysis

Chandra, A., Jena, A.B. and Skinner, J.S., 2011. The pragmatist's guide to comparative effectiveness research. *Journal of Economic Perspectives*, 25(2), pp.27-46.

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

Midterm 1

4. Health Insurance and Adverse Selection

5. The Inefficient Healthcare Market – Insurance Moral Hazard

Pauly, M.V., 1968. The economics of moral hazard: comment. *The American Economic Review*, 58(3), pp.531-537.

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

Midterm 2

6. Marcus Welby Medicine

Phelps, C., 2017, Health Economics (6th Edition), Ch. 3, "The Transformation of Medical Care to Health"

7. The Inefficient Healthcare Market – Demand Inducement

Arrow, K.J., 1963. Uncertainty and the Welfare Economics of Medical Care. *The American Economic Review*, 53(5), pp.941-973.

8. The Inefficient Healthcare Market – Practice Variation

9. Pricing

10. Quality

Final Exam

LEARNING GOALS FOR ECONOMICS MAJORS

1. Economic Literacy - Students who complete the major in economics should understand and be able to articulate, both orally and in writing, the core economic principles, concepts and theories that form the foundation for modern economic analysis and economic research.
2. Economic Numeracy - Students who complete the economics major should be familiar with the tools, techniques and methods of empirical economics. They should be able to analyze data using computer applications and should be familiar with regression methods and other statistical techniques. They should be able to read and assess general interest articles on economic topics. In addition, they should be able to understand and evaluate key findings in published economic research from a wide range of sources including academic economists, public policy 'think tanks,' and government agencies.
3. Economic Citizenship - Upon completion of the major students should be able to apply their understanding of core concepts and quantitative tools to analyze and research real world problems and evaluate alternative economic policy proposals on microeconomic and macroeconomic issues.
4. Economic Scholarship – Qualified majors should have an opportunity through such avenues as advanced coursework, faculty interactions, national and local competitions and honors courses and programs to utilize up-to-date methodological tools and become fully engaged in economic research and issues on the frontiers of economics.

Department of Economics
Rutgers, The State University of New Jersey
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