ECON 5190/6190 Health Economics

Spring 2013

Place: OSH WPRA

MW 11:50-1:10

Professor: Norman Waitzman, PhD

Office: 375 OSH

Office Hours: T, H 9:30-10:30 am and by appointment

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Drop/Withdraw: Last day to drop, 1/16; last day to withdraw, 3/1; last day of class, 4/24.

**Final Exam: Thursday, May 2, 10:30-12:30 (OSH WPRA)**

Readings/Text

The peculiarities of health and the delivery of medical care as well as the diversity of the subject matter make it difficult for any single text to adequately serve the needs of a health economics class. Online readings from prominent health economics and health policy journals therefore substitute for a single text. All required readings are available on CANVAS according to the topical modular schedule below. Readings will be added as the semester progresses and the pace of the class is accounted for. Unmarked readings are required. Those readings marked with an **\*** should be browsed, and those marked with (**G**) are required for 6190 students. **R** designates a recommended reading beyond the syllabus.

Course Description

This course is designed to provide an introduction to health care markets and institutions in the United States from an economic perspective. Tools of economic analysis are introduced that are relevant to understanding medical care markets. A primary objective of the course is to bring economic perspectives to bear on the debate over recent changes in the finance and delivery of medical care in the U.S. as well as on the major national reform of the health care system, the Patient Protection and Affordable Care Act (PPACA).

It is important for students to try and push through the articles and readings within topic modules prior to class meetings to at least get a sense of the major themes of the article. It is essential for good performance in the class to ultimately do all of the require readings. Not all of the technical concepts in the articles will be important to class performance, but part of the mission of the class is for students to synthesize material covered in these readings.

Additional Background

The dual challenges posed by a rising trajectory of health care costs along with enormous gaps in access to quality health care is longstanding in the United States, but these challenges have taken on even greater urgency as expenditures devoted to health care have exceeded 18% of the entire national output of the economy (over $2.5 trillion), as funds devoted to health care consume ever larger proportions of strapped state and federal public budgets, and as increasing numbers of citizens find themselves without coverage through their jobs, or with increasingly limited coverage and therefore exposed to very high financial risk. These challenges have become even more pronounced with the downturn in the economy. But these challenges were also a major impetus behind the national health care reform initiative that was recently passed and is now in the process of being implemented.

The debate over health care reform is often couched in terms of government versus private enterprise, reliance on regulation versus markets. But the intermingling of health markets with government and private institutions has been long-standing in the country, and a primary aim of the course is to establish the economic foundations for such integration as well as the challenges posed by such integration.

New emphasis in reform was given in recent years to “consumer-driven” health care, where greater reliance on consumer choice, large deductibles in insurance and higher out-of-pocket payments were being tested to rein in costs. Most of these have been patchwork reforms, leading to the major federal 2010 PPACA legislative reform, patterned after that introduced in Massachusetts under then Governor Romney. A primary aim of this course is for students to achieve a deeper understanding of the terms of the debate surrounding these developments. In this semester, particular attention will be given to reform, but also to the concern over how chronic conditions are challenging the US health care system in terms of cost and quality of care, and how health care policy might address these issues through reconfiguration of the delivery system under reform.

Graduate/Undergraduate Student Mix

There is traditionally a richly diverse group of students taking this course. Some students are undergraduates whose primary background is in the health sciences, whereas others have strong undergraduate training in economics or other disciplines with little coursework in the health sciences (ECON 5190). In addition, the course traditionally has a good array of graduate students in professional programs with extensive experience both within health professions and within a health profession training environment (ECON 6190). While such diversity presents a challenge to teaching, it also presents several opportunities as will be discussed. In certain instances, there are additional requirements for students in ECON 6190. Graduate students are required to write a paper (ten pages) and answer some additional questions on exams, if indicated Additional readings for students in ECON 6190 are highlighted in the syllabus with a bold **G**.

Paper (**G**)

A ten page, double-spaced paper is required of ECON 6190 students in the course, and is due on the last day of class, 4/24. A partial list of suitable topics will be provided, but students are not restricted to these. Short presentations of papers to the class will be made in the final class session, time permitting.

Course Requirements and Assessment (Weight of Grade)

ECON 5190: Midterm (45%), Final Exam (55%); potential optional paper/presentation (up to 10%), which will substitute for 5% of midterm and 5% of final exam weight if grade is better than on those exams.

ECON 6190: Midterm (35%), Final Exam (45%), Paper (15%)/class presentation (5%).

Exam Dates

**Midterm: 2/20 (in class)**

**Final Exam: Thursday, May 2, 10:30-12:30**

Other Important Dates

Martin Luther King Holiday, 1/21 (no class)

President’s Day Holiday, 2/18 (no class)

Spring Break 3/10-3/17 (no classes)

Last day of class, 4/24

Exam Format: Exams will be short answer and essay.

Grading: Final grades will depend on performance based on the weights provided, where a grade of 90-100 is in the “A” range, 80-90 in the “B” range, etc. Earning an unblemished “A” will require consistently distinctive work. Minus and plus grades will be at the extremities of these ranges (eg, 92 and above, A, 89.5-91.5, A-) and will likely extend a bit beyond in the direction to provide students benefit of the doubt, particularly for those at the lower reaches of the distribution. Adjustment of exam, paper, and final grades to reflect a curve will be at the discretion of the instructor.

Blue Books: Students must purchase their own blue books for each exam. Two should be sufficient for the course.

Makeup policy: Students must take exams on the scheduled dates.

Communication: E-mail is appropriate for short questions or pieces of information regarding the course. Please use the email address at the top of the syllabus. A reply can be expected within a reasonable period. Special appointments should be made as much as possible in advance if office hours are inconvenient.

Disability Policy: The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services (CDS), 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All written information in this course can be made available in alternative format with prior notification to the Center for Disability Services.

Schedule

1. Health Care Expenditures: Dimensions and Trajectory [Weeks 1-3 (1/7, 1/14, 1/23)]

How are health care expenditures measured in the “national accounts”? What is the overall size of health care expenditures, and how are they broken down into components? How have they changed over time? How important are chronic conditions to the trajectory of health care cost? How critical is the role of defensive medicine?

Martin A, Lassman D, Washington B, Caitlin A, and the National Health Expenditure Accounts Team, 2012. Growth in US Health Spending Remained Slow in 2010; Health Share of Gross Domestic Product was Unchanged from 2009. *Health Affairs* 31 (1): 208-219.

Ginsburg, P. 2008. High and Rising Health Care Costs, Demystifying US Health Care Spending. (Research Synthesis Report, 16, Robert Wood Johnson Foundation).

\*Kaiser Family Foundation. 2009. Health Care Costs: A Primer: Key Information on Health Care Costs and their Impacts

\*Feldstein P, Chapter 4 "Measuring Changes in the Price of Medical Care." (pp 52-81).

\*Keehan S, Cuckler G, Sisko A et al. 2012. National Health Expenditure Projections: Modest Annual Growth Until Coverage Expands and Economic Growth Accelerates.  *Health Affairs* 31(7):1600-1612.

Newhouse JP. An Iconoclastic View of Health Cost Containment. *Health Affairs* (Supplement 1993):152‑171.

Anderson G, Reinhardt U, Hussey P, Petrosyan V. It’s the Prices, Stupid: Why the United States is so Different from Other Countries. *Health Affairs* (May/June 2003): 89-105

Thorpe KE, Howard DH, Galactionova K. “Differences in Disease Prevalence as a Source of the U.S.-European Health Care Spending Gap.” *Health Affairs* (2 October 2007): w678-w686.

Berk ML and Monheit AC. The Concentration of health care expenditures, revisited. *Health Affairs* (March/April 2001): 9-18.

\*(**G**) Weisbrod, BA. 1991. The Health Care Quadrilemma. *Journal of Economic Literature.* 29: 523-552.

Michelle M. Mello, Amitabh Chandra, Atul A. Gawande and David M. Studdert, “National Costs Of The Medical Liability System,” *Health Affairs* 29:9 (2010), pp. 1569-1577.

Julie Rovner: http://www.npr.org/blogs/health/2010/09/07/129706676/defensive-medicine-not-as-much-as-the-doctor-ordered-after-all

1. The “Production of Health”: A narrow and broad model [Weeks 4,5 (1/28, 2/4)]

What are some of the features of economic model of the “production” of health? How does this compare with a public health or a social epidemiological perspective?

*Narrative*: Lantos JD. Hooked on Neonatology (a pediatrician wonders about NICU’s hidden cost of success. *Health Affairs* (September/October 2001): 233-240.

\*Feldstein PJ, Chapter 2, "The Production of Health: The Impact of Medical Services on

Health." (pp 18-36).

Fuchs V. Time Preference and Health: An Exploratory Study. 1982. In Economic Aspects

of Health ed. Victor R. Fuchs (Chicago: University of Chicago Press).

Adler NE and Newman K. Socioeconomic Disparities in Health: Pathways and Policies. *Health Affairs* (March April 2002: 60-76)

Adler NE, Stewart J. 2010. Health disparities across the lifespan: Meaning, methods, and mechanisms. *Ann. N.Y. Acad. Sci.* 1186:5-23.

P Braveman, S Egerter, D R Williams, “The social determinants of health: Coming of age,” *Annual Review of Public Health* 32 (2011) pp. 381-398.

\*(**G**) P A Braveman, et al., “Socioeconomic Disparities in Health in the United States: What the Patterns Tell Us,” *American Journal of Public Health* 100:Supplement1 (April 2010), S186-S196.

1. Tools of Economic Assessment: Cost of Illness, Cost‑Benefit and Cost‑Effectiveness Analysis [Weeks 6, 8 (2/11, 2/25) week 7 (holiday on Monday, midterm on Wednesday) ]

What is cost-of-illness and cost-effectiveness analysis? What role can economic evaluation play in determining appropriate policy for adoption of new technologies and treatments?

**Midterm Exam (2/20, in class)**

1. How the Market Works (and Fails): Focus on Demand for health care and insurance [Weeks 9, 10 (3/4, 3/18)]
2. On the Supply Side: The healthcare workforce, a rebalancing act under Reform? [Weeks 11, 12 (3/25, 4/1)]

To what extent will there be pockets of primary care physician shortages with extended coverage under health care reform, and to what extent is new policy required?

1. Restructuring the Organization of Health Care Delivery: Growing Integration and Accountable Care Organizations (ACOs) [Week 13, 14 (4/8, 4/15)]
2. Re-assessing the PPACA, Health Care Reform [Weeks 15 ( 4/22)
3. Paper Presentations, Final Week (4/24)

**FINAL EXAM, 5/2 10:30am-12:30pm**