

University of Chicago

HEALTH ECONOMICS AND PUBLIC POLICY

Spring 2000
Public Policy 383
SSA 477

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Office hours: Thursday 1:30 – 3:30 pm, Harris School rm. 150

Course goals: This course provides an overview of the economics of health and medical care with special attention to the role of government regulation. By the end of the quarter students should have the institutional knowledge and analytic tools needed to contribute to current public policy debates about health and medical care.

Prerequisites: At least two quarters of microeconomics and one quarter of statistics.

Requirements and grading: Grades will be based on problem sets (40%), a “policy exercise” (20%), a final exam (30%), and class participation (10%).

Text: Health Economics, Charles Phelps, 2nd ed. (1997), Addison-Wesley. Available at the Seminary Coop bookstore.

Additional readings: Additional readings, all of which are required, are listed below. A packet containing these readings is available at the SSA copy center and is also on closed reserve at Regenstein library.

1. Introduction: Why health economics? (Tues. 3/28)

Phelps ch. 1 – 2

Pauly, Mark, "Is Medical Care Different?" In Competition in the Health Care Sector: Past, Present and Future. Aspen Systems Corp., 1978.

Joseph Newhouse, “Medical Care Costs: How Much Welfare Loss?” *Journal of Economic Perspectives* 1992; 6(3): 3-21.

Levit, Katherine, et al. “National Health Expenditures In 1997: More Slow Growth,” *Health Affairs* Nov./Dec. 1998; 17(6): 99-110.

2. The production of health and the demand for medical care (Thurs. 3/30)

Phelps ch. 3 – 4

McGinniss, J.M. and W.H. Foege, “Actual Causes of Death in the United States,” *Journal of the American Medical Association*, 1993, 279(18), 2207-2212.

Brook, Robert, et al. "Does Free Care Improve Adults' Health? Results from a Randomized Controlled Trial," *New England Journal of Medicine* 1983, 309(24): 1426-1434.

Joseph Newhouse and Lindy Friedlander, "The Relationship between Medical Resources and Measures of Health: Some Additional Evidence," *Journal of Human Resources* 1979, vol. 15, pp. 200 – 218.

3. How insurance affects the demand for medical care (Tues. 4/4)

Phelps ch. 5

Manning, Willard, Joseph Newhouse, Naihua Duan, et al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *American Economic Review* 1987; 77(3): 521-277.

Arrow, Kenneth. "Uncertainty and the Welfare Economics of Medical Care," *American Economic Review* 1963; 53(5): 941-973.

Pauly, Mark, "The Economics of Moral Hazard: Comment," *American Economic Review* 1968; 58(3): 531-537.

Arrow, Kenneth. "The Economics of Moral Hazard: Further Comment," *American Economic Review* 1968, 58(3): 537-539.

4. Medical care I: Physician training and supply (Thurs. 4/6)

Phelps ch. 6

Burstein, Philip and Jerry Cromwell. "Relative Incomes and Rates of Return for U.S. Physicians," *Journal of Health Economics* 1985; 4:63-78.

Jeremiah Hurley, "Physicians' Choices of Specialty, Location and Mode: A Reexamination within an Interdependent Decision Framework," *Journal of Human Resources* 1991, 26(1), pp. 47-71.

5. Medical care II: Physician behavior (Tues. 4/11)

Phelps ch. 7

Relman, Arnold S. and Uwe E. Reinhardt, "Debating For-Profit Health Care and the Ethics of Physicians," *Health Affairs*, Summer 1986, pp. 5 – 31.

Uwe Reinhardt, "Planning the Nation's Health Workforce: Let the Market In," *Inquiry*, 31(1994): 22 – 24.

Benham, Lee, "The Effect of Advertising on the Price of Eyeglasses," *Journal of Law and Economics* 1972; 15(2): 337 – 352.

John A. Rizzo and Richard J. Zeckhauser, "Advertising and the Price, Quantity, and Quality of Primary Care Physician Services," *Journal of Human Resources* 1992, 27: 381 – 421.

6. Medical care III: Hospitals (Thurs 4/13)

Phelps ch. 8 - 9

Harris, Jeffrey, "The Internal Organization of Hospitals: Some Economic Implications," *Bell Journal of Economics* 1977; 8:467 – 482.

Norton, Edward C. and Douglas O. Staiger, "How Hospital Ownership Affects Access to Care for the Uninsured," *RAND Journal of Economics*, 1994 (25), 171 – 185.

7. Medical care IV: Technology diffusion and pharmaceuticals (Tues. 4/18)

Phelps ch. 16 (section on drug and medical device regulation only)

Geljins, Annetine and Nathan Rosenberg, "The Dynamics of Technological Change in Medicine," *Health Affairs*, Summer 1994, 28 – 46.

Schwartz, William, "In the Pipeline: A Wave of Valuable Medical Technology," *Health Affairs*, Summer 1994, 70 – 79.

McClellan, Mark and Haruko Noguchi, "Technological Change in Heart Disease Treatment: Does High Tech Mean Low Value?" *American Economic Review*, May 1998 (88:2), 90 – 96.

8. Private insurance I: The employment-based system (Thurs. 4/20)

Phelps ch. 10 - 11

Pauly, Mark, "Taxation, Health Insurance and Market Failure in the Medical Economy," *Journal of Economic Literature* 1986; 24:629-675.

9. Private insurance II: Fee-for-service vs. managed care (Tues. 4/25)

(incl. in Phelps ch. 11)

Robert Miller and Harold Luft, "Managed Care Plan Performance since 1980," *Journal of the American Medical Association*, May 18, 1994 (271:19), 1512 – 1519.

Robert Miller and Harold Luft, "Does Managed Care Lead to Better or Worse Quality of Care?" *Health Affairs*, September/October 1997, 7 – 25.

Manning, Willard et al. "A Controlled Trial of the Effect of Prepaid Group Practice on Use of Services," *New England Journal of Medicine* 1984; 310(23):1505-10.

10. Public insurance I: Medicare (Thurs. 4/27)

Phelps ch. 12

Lee, Ronald and Jonathan Skinner, "Will Aging Baby Boomers Bust the Federal Budget?" *Journal of Economic Perspectives* 13 (1) Winter 1999, 117 – 140.

11. Public insurance II: Medicaid and CHIP (Tues. 5/2)

Phelps ch. 13

Cutler, David M. and Jonathan Gruber, "Does Public Insurance Crowd Out Private Insurance?" *Quarterly Journal of Economics*, v.111 no. 2 May 1996, pp. 391-430.

12. Non-medical inputs to health I: Health behavior and public health (Thurs. 5/4)

Manning, Willard et al., "The Taxes of Sin," *Journal of the American Medical Association* 1989 (261:11), 1604 – 1609.

Viscusi, Kip, "The Value of Risks to Life and Health," *Journal of Economic Literature* December 1993; 31:1912 – 1946.

13. Non-medical inputs to health II: Income, wealth, socioeconomic status (Tues. 5/9)

Smith, James. 1999. "Healthy Bodies and Thick Wallets: The Dual Relation between Health and Economic Status," *Journal of Economic Perspectives* 13(2):145-166.

14. Disability insurance and the labor market impact of poor health (Thurs. 5/11)

Kahn, Matthew E. "Health and Labor Market Performance: The Case of Diabetes," *Journal of Labor Economics*, October 1998 16(4): 878-99.

15. Medical malpractice and ERISA liability issues (Tues. 5/16)

Phelps ch. 14

Danzon, Patricia. "An Economic Analysis of the Medical Malpractice System," *Behavioral Sciences and the Law* 1983; 1(1):39-54.

Kessler, Daniel and Mark McClellan. "Do Doctors Practice Defensive Medicine?" *Quarterly Journal of Economics*; 1996; 111(2): 353-90.

16. Health care reform (Thurs. 5/18)

Krueger, Alan and Uwe Reinhardt. " The Economics of Employer versus Individual Mandates," *Health Affairs* 1994: 13 (2): 34-53.

Plus the following articles in the *Journal of Economic Perspectives*, Vol. 8, No. 3. (Summer, 1994):

Newhouse, Joseph P, "Symposium on Health Care Reform," pp. 3 – 11.

Cutler, David M., "A Guide to Health Care Reform," pp. 13 – 29.

Aaron, Henry J., "Issues Every Plan to Reform Health Care Financing Must Confront," pp. 31 – 43.

Pauly, Mark V., "Universal Health Insurance in the Clinton Plan: Coverage as a Tax-Financed Public Good," pp. 45 – 53.

Zeckhauser, Richard, "Public Finance Principles and National Health Care Reform," pp. 55 – 60.

17. Policy exercise (Tues. 5/23)

Readings TBA

18. CLASS CANCELLED (Thurs. 5/25)

19. Medical care in other developed countries (Tues. 5/30)

Phelps ch. 17

Anderson, Gerard F. and Jean-Pierre Poullier, "Health Spending, Access, and Outcomes: Trends in Industrialized Countries," *Health Affairs* 18 (3), May/June 1999, 178 – 192.

20. Health policy issues in less developed countries (Thurs. 6/1)

Schieber, George and Akiko Maeda, "Health Care Financing and Delivery in Developing Countries," *Health Affairs* 18 (3), May/June 1999, 193 - 205.

Duflo, Esther, "Child Health and Household Resources in South Africa: Evidence from the Old Age Pension Program," forthcoming, *American Economic Review Papers and Proceedings*, May 2000.

Gertler, Paul and John W. Molyneaux, "How Economic Development and Family Planning Programs Combined to Reduce Indonesian Fertility," *Demography*, 31(1):33 – 63, 1994.

Calendar with distribution and due dates for problem sets

Week	Tuesday	Thursday
1	3/28 Introduction	3/30 The production of health and the demand for medical care
2	4/4 How insurance affects the demand for medical care PS 1 handed out	4/6 Medical care I: Physician training and supply
3	4/11 Medical care II: Physician behavior	4/13 Medical care III: Hospitals
4	4/18 Medical care IV: Technology diffusion and pharmaceuticals PS 1 due PS 2 handed out	4/20 Private insurance I: The employment-based system
5	4/25 Private insurance II: Fee-for-service vs. managed care	4/27 Public insurance I: Medicare No office hours
6	5/2 Public insurance II: Medicaid and CHIP PS 2 due PS 3 handed out	5/4 Non-medical inputs to health I: Health behavior and public health
7	5/9 Non-medical inputs to health II: Income, wealth, socioeconomic status	5/11 Disability insurance and the labor market impact of poor health
8	5/16 Medical malpractice and ERISA liability issues PS 3 due PS 4 handed out	5/18 Health care reform
9	5/23 Policy exercise	5/25 Class cancelled No office hours
10	5/30 Medical care in other developed countries PS 4 due	6/1 Health policy issues in less developed countries