

INTRODUCTION TO HEALTH ECONOMICS AND PUBLIC POLICY

Public Policy 644
Winter 2008
MW 2:30-4 pm, 1210 Weill Hall

Professor: Helen Levy (hlevy@umich.edu)

Course goals: This course provides an overview of the economics of health and medical care. By the end of the semester 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 one semester of introductory microeconomics.

Assignments: The course assignments include two short “policy reviews” (1 – 2 single-spaced pages each) in which students will comment on existing or proposed public policies. These will be modeled on the reviews of the *Economic Report of the President* in the *Journal of Economic Literature*.¹ Students will also make two presentations in class. The first (Feb. 20) will be in the form of testimony at a mock Congressional hearing. The second (April 2) will be a short presentation on the health care system of another country. The final exam will be a take-home and will be similar to the policy reviews.

Grading: Grades will be based on policy reviews (15% each = 30% total), class presentations (15% each = 30% total), participation in class discussions (20%) and the final exam (20%).

Text: *A Health Economics Primer*, Shirley Johnson-Lans, Addison Wesley, 2006. Referred to in this syllabus as JL.

Additional readings: Additional readings, all of which are required, are listed below. The readings are available on the course web site. If you would like hard copies, a course packet containing the same material can be ordered at Dollar Bill copying (611 Church St.).

Office hours: Weds. 1 – 2:15 pm
5236 Weill Hall
(734) 615-6994

¹ See, for example, “Review of the 2006 Economic Report of the President” by Alan Auerbach, Rebecca Blank, Martin M. Feldstein, Michael Katz, and Kenneth Rogoff, *Journal of Economic Literature* 44 (September 2006): 662–693.

Date	Topic/reading	Week & lecture
Mon. Jan. 7	Introduction Course overview; short discussion of health care reform proposals of the presidential hopefuls	1.1
Weds. Jan. 9	Health care spending Is health care spending “too high” (and what does this even mean)? What factors drive its growth? Sherry Glied. “Health Care Costs: On the Rise Again,” <i>Journal of Economic Perspectives</i> 2003 17(2):125 – 148.	1.2
Mon. Jan. 14	The economic approach to thinking about policy How do economists think about intervening in markets? Rationales for government intervention: market failure, redistribution. The efficiency-equity tradeoff.	2.1
Weds. Jan. 16	In honor of MLK Jr. Day: Hospital integration in the 1960s and racial disparities in health How did the Civil Rights movement play out in the health care sector? What do racial disparities in health look like today? David R. Williams and Pamela Braboy Jackson. “Social Sources of Racial Disparities in Health,” <i>Health Affairs</i> 2005 24(2): 325 – 334.	2.2
Mon. Jan. 21	No class – Martin Luther King Jr. Day	3.1
Weds. Jan. 23	The demand for health, medical care, and insurance Economic models of the demand for these goods. JL ch. 2, “The Demand for Health and the Demand for Health Care” JL ch. 3, “The Nature of Health Insurance Markets”	3.2
Mon. Jan. 28	Health insurance and the RAND experiment How does insurance coverage affect the use of medical care and health outcomes? Willard Manning, Joseph Newhouse, Naihua Duan, et al. “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” <i>American Economic Review</i> 1987; 77(3): 521-27.	4.1
Weds. Jan. 30	The Uninsured Who are the uninsured and why are they uninsured? What are the consequences of lacking coverage for medical care and health?	4.2

Helen Levy and David Meltzer. “What Do We Really Know about Whether Health Insurance Affects Health?” in *Health Policy and the Uninsured: Setting the Agenda*, Catherine McLaughlin (ed.), Urban Institute Press, Washington DC, 2004, 179 – 204.

Brent R. Asplin et al. “Insurance Status and Access to Urgent Ambulatory Care Follow-up Appointments.” *JAMA* 2005; 294:1248-1254.

Assignment for policy review #1 handed out.

Mon. **Supply of physicians** 5.1
Feb. 4 Medical training as an investment in human capital; specialty choice and returns to specialization

JL ch. 6, “Physicians and Nurses as Inputs into the Production of Health Care”

Weds. **Physician behavior** 5.2
Feb. 6 The market for physician services; imperfect competition; supplier-induced demand; medical malpractice. How do physicians respond to incentives?

JL ch. 7, “Physicians as Providers of Health Care”

Gerald B. Hickson, William A. Altemeier and James M. Perrin. “Physician Reimbursement by Salary or Fee-for-Service: Effect on Physician Practice Behavior in a Randomized Prospective Study,” *Pediatrics* September 1987 80(3):344 – 350.

David M. Studdert, Michele M. Mello, and Troyen A. Brennan, “Medical Malpractice,” *New England Journal of Medicine*, 350:3, January 15, 2004, 283-292.

Policy review #1 due.

Guidelines for testimony (2/20) handed out.

Mon. **Is there a nursing shortage?** 6.1
Feb. 11 Different definitions of “shortage;” economic models of the market for nursing labor.

Julia Lane and Stephan Gohmann. “Shortage or Surplus: Economic and Noneconomic Approaches to the Analysis of Nursing Labor Markets,” *Southern Economic Journal* January 1995 61(3):644 – 653.

Weds. **Hospitals** 6.2
Feb. 13 Hospital market structure; what does it mean that most hospitals are not-for-profit?

JL ch. 8, “Hospitals”

David M. Studdert. “Regulatory and Judicial Oversight of Nonprofit Hospitals,” *New England Journal of Medicine* February 8, 2007 356:625 – 631.

Mon. **Cost-benefit and cost-effectiveness analysis** 7.1
Feb. 18 Present discounted value; the value of a statistical life; QALYs and DALYs.

JL ch. 9, “Cost-Benefit and Cost-Effectiveness Analysis”

Weds. **Student presentations** 7.2
Feb. 20 **Testimony: Should the HPV vaccine be mandatory?**

Spring break, week of Feb. 25

Mon. **Pharmaceuticals** 8.1
March 3

JL chapter 11, “Pharmaceuticals”

Ernst R. Berndt. “Pharmaceuticals in U.S. Health Care: Determinants of Quantity and Price,” *Journal of Economic Perspectives* Autumn, 2002 16(4): 45 – 66.

Weds. **Medicare** 8.2
March 5 Medicare, coverage financing and reforms; Part D.

JL ch. 5, “Social Insurance in the United States: Medicare and Medicaid”

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

Mon. **Medicaid and SCHIP** 9.1
March 10 Substitution between Medicaid and private insurance (“crowd-out”); current policy issues facing Medicaid and SCHIP.

David M. Cutler and Jonathan Gruber. “Medicaid and Private Insurance: Evidence and Implications,” *Health Affairs*, January/February 1997; 16(1): 194-200.

Genevieve Kenney and Justin Yee. “SCHIP at a Crossroads: Experiences to Date and Challenges Ahead,” *Health Affairs* 2007 26(2): 356 – 369.

Weds. **Long-term care** 9.2
March 12 Medicaid’s role as a payer for long-term care; private long-term care insurance; nursing home quality; formal versus informal care.

Kieran Walshe. “Regulating U.S. Nursing Homes: Are We Learning From Experience?” *Health Affairs* 2001 20(6): 128 – 144.

Assignment for policy review #2 handed out.

Mon. March 17	<p>Disability Insurance</p> <p>Private disability insurance and the federal Disability Insurance program: income replacement in the event of work disability. Current policy issues facing DI.</p> <p>David Autor and Mark Duggan. “The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding,” <i>The Journal of Economic Perspectives</i> Vol. 20, No. 3 (Summer 2006), pp. 71 – 96.</p>	10.1
Weds. March 19	<p>Socioeconomic status and health</p> <p>How do SES and health affect one another? Does income inequality affect health?</p> <p>Smith, James P. “Healthy Bodies and Thick Wallets: The Dual Relation between Health and Economic Status,” <i>The Journal of Economic Perspectives</i> Vol. 13, No. 2 (Spring, 1999), pp. 145-166.</p> <p>Angus Deaton. “Policy Implications of the Gradient of Health and Wealth,” <i>Health Affairs</i> March/April 2002 21(2): 13 – 30.</p> <p>Policy review #2 due. Guidelines for student presentations (4/2) handed out.</p>	10.2
Mon. March 24	<p>Smoking</p> <p>Manning, Willard et al., “The Taxes of Sin,” <i>Journal of the American Medical Association</i> 1989 (261:11), 1604 – 1609.</p>	11.1
Weds. March 26	<p>Drinking</p> <p>Dee, Thomas S. “Does Setting Limits Save Lives? The Case of 0.08 BAC Laws,” <i>Journal of Policy Analysis and Management</i> 2001 20(1): 113-130.</p>	11.2
Mon. March 31	<p>Obesity</p> <p>David M. Cutler, Edward L. Glaeser and Jesse M. Shapiro, “Why Have Americans Become More Obese?” <i>Journal of Economic Perspectives</i> 17(3), Summer 2003, 93-118</p> <p>Fred Kuchler et al. “Obesity Policy and the Law of Unintended Consequences,” <i>Amber Waves</i> June 2005 3(3): 26 – 33.</p>	12.1
Weds. April 2	<p>Health Systems of Other Countries</p> <p>Cutler, David M., “Equality, Efficiency, and Market Fundamentals: The Dynamics of International Medical Care Reform,” <i>Journal of Economic Literature</i>, 40(3),</p>	12.2

September 2002, 881-906.

Student presentations

Mon. **History of health care reforms in the US** 13.1
April 7

JL ch. 14, "The Health-Care System of the United States: Where Do We Go Next?"

Jonathan Oberlander. "The Politics Of Health Reform: Why Do Bad Things Happen To Good Plans?" *Health Affairs* Web Exclusive, August 2003.

Weds. **The future of health care reform in the US** 13.2
April 9

Victor R. Fuchs. "What Are The Prospects For Enduring Comprehensive Health Care Reform?" *Health Affairs* 26, no. 6 (2007): 1542–1544.

Other readings TBA

Take-home final exam handed out.

Mon. **No class** 14.1
April 14 **Final exam (take-home) due by 4 pm to me in Weill Hall 5236.**