

Economics 387 – Introduction to Health Economics

Syllabus

Boston University

Summer 2012

Instructor: Tianxu Chen

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Meeting Times: Tue,Wed,Thu 9:30am-12:00pm

Meeting Place: Psychology Department (64 Cummington Street), Room B41

Office: Economics Department (270 Bay State Road), Room 429

Office Hours: Wed 1:00-2:30pm, or by appointment

Course Summary

This course is an introduction to the field of health economics. Health economics is an active field of microeconomics with a large and growing literature. In the past decade, some of the most controversial policies considered by state and federal governments have involved issues that have been analyzed by health economists. This class will provide an introduction to the health care system in the U.S. We will discuss some of the key concepts that health economists use to analyze health care markets. Finally, we will apply these concepts to selected current issues in health policy.

Requirements

Students should have a firm grasp of microeconomics at the level of Intermediate Microeconomics. Students should also be comfortable with basic concepts in statistics. Much of the literature in health economics requires that readers be conversant in the language of statistics and econometrics, so we will review these as necessary.

Grading

The grade will be based on a midterm (30%) and a final (50%). In addition, there will be one in-class presentation and two problem sets that will count toward the grade in the class (20%). Each presentation is supposed to total 15 minutes and students are encouraged to choose any paper already on the reading list. Performance on the examinations will no doubt be affected by the students' understanding of the material on the problem sets. The material covered on the examinations will come from the lecture notes, problem sets and required reading. If a student requests that some question on an examination be re-graded, I will review the entire examination. There will be no make-up final, so please plan ahead.

Textbook

The text for the course is *The Economics of Health and Health Care*, 7th Edition by Folland, Goodman, and Stano (FGS). A course reader with all the required and recommended reading for the course will be available in the bookstore.

Reading List

Ellis and McGuire, 1986, Provider Payment under Prospective Payment Journal of Health Economics.

Shen and Melnick, 2005, Is Managed Care Still An Effective Cost Containment Device?

Ruhm, Chris, 2005, Healthy Living in Hard Times, Journal of Health Economics, 24(2005) 341-363

Ellis, Randall P. and Michelle M. Miller, 2008, "Provider Payment Methods and Incentives" in Heggenhougen, Kris (ed.) "Encyclopedia of Public Health"

Case, Anne, Angela Fertig, and Christine Paxson. The Lasting Impact of Childhood Health and Circumstance, Journal of Health Economics, 2005, v. 24, pp. 365-389.

Merideth Rosenthal et al. 2006 Pay for Performance in Commercial HMOs. New England Journal of Medicine

Ellis, Randall P. and McGuire, Thomas G. (2007) "Predictability and predictiveness in health care spending" Journal of Health Economics. 26:25-48.

Miller, Amalia R., and Catherine E. Tucker. 2011. "Can Health Care Information Technology Save Babies?" Journal of Political Economy, 119(2): 289-324.

Abaluck, Jason, and Jonathan Gruber. 2011. "Choice Inconsistencies among the Elderly: Evidence from Plan Choice in the Medicare Part D Program." American Economic Review, 101(4): 1180-1210.

French, E. and Jones, J. B. 2011. "The Effects of Health Insurance and Self-Insurance on Retirement Behavior." Econometrica, 79: 693-732.

Outline

I. Introduction: the relevance of economics in health and medical care

(Chapter 1, 2 &4)

II. The Supply and Demand for Health and Medical Care

II. 1 Supply of Health and Medical Care

- a. The production of health (Chapter 5)
- b. The production, cost and technology of medical care (Chap. 6)

II. 2 Demand for Health and Medical care

- a. Health as an investment good (Chapter 7)
- b. Demand for Medical care (Chapter 9)

III. Industry Studies

III. 1 Health Insurance Industry

- a. Decision-making under uncertainty (Chapter 8)
- b. Insurance markets (Chapters 8, 10 and 11)
- c. Causes and consequences of employer-based private health insurance (11)
- d. Managed care (Chapter 12)

III. 2 Hospital Service Industry and Long-term Care (Chapter 14)

III. 3 Physician Service Industry (Chapter 15 & 16)

III. 4 Pharmaceuticals (Chapter 17)

IV. The Government's Role and Policy Analysis

IV. 1. Social insurance (Chapter 21)

IV. 2. Comparative health systems (Chapter 22)

IV. 3. Health care reform (Chapter 23)