Health Economics 01:220:316:01 (07310)  
(This course is an upper-level elective)  

Murray Hall (MU), Room 213  
Tuesday/Friday, 8:10am – 9:30am  
January 20 – May 1, 2015  

Contact information  

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Email: ddelia@ifh.rutgers.edu (Please use subject line: Health Econ 316, Spring 2015)  

Office hours: Monday 4:00pm–5:00pm, Wednesday 9:30am–10:30am, & by appointment. (If the doors are locked before 5:00, please call my phone number and I will buzz you in.)  

Important dates  

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day to drop a course without a W grade</td>
<td>1/27/15</td>
</tr>
<tr>
<td>Last day to add a course</td>
<td>1/28/15</td>
</tr>
<tr>
<td>Proposal for small group project</td>
<td>2/10/15</td>
</tr>
<tr>
<td>Exam 1</td>
<td>2/17/15</td>
</tr>
<tr>
<td>Preliminary results for small group project</td>
<td>3/27/15</td>
</tr>
<tr>
<td>Last day to withdraw with a W grade</td>
<td>3/23/15</td>
</tr>
<tr>
<td>Exam 2</td>
<td>4/7/15</td>
</tr>
<tr>
<td>Spring break – No class</td>
<td>3/14/15 – 3/23/15</td>
</tr>
<tr>
<td>Final report for small group project</td>
<td>4/24/15</td>
</tr>
<tr>
<td>Exam 3 in MU-213 (<a href="http://scheduling.rutgers.edu/springfinals.shtml">http://scheduling.rutgers.edu/springfinals.shtml</a>)</td>
<td>5/12/15 8:00am</td>
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</table>
Course overview

This course is an introduction to the economics of health and healthcare. Students will apply economic reasoning to contemporary issues involving the organization, cost, and distribution of resources in the health sector. The course will focus primarily on healthcare in the United States but will include some coverage of other nations as well. The course will also emphasize the application of analytic techniques from microeconomics, statistics, and applied econometrics.

By the end of the course, students should be able to explain the pros and cons of alternative mechanisms of healthcare financing, organization, and payment as well ongoing controversies in the field of health economics. Students should also be able to critically evaluate healthcare reform proposals and design their own econometric investigation of a health economics research question.

More broadly, the course is designed to advance the learning goals developed by the Economics Department for all economics majors at Rutgers University. The official learning goals are listed below.

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.

Prerequisites

Intermediate Microeconomics
Econometrics

The prereqs for these courses are also included as prereqs for Health Econ.
Grading & Assignments

- Your final grade will be determined by your performance on 3 exams, unannounced pop quizzes, and a small group project described below.
- There will be no extra credit assignments. It is best if you work to do as well as possible on the assignments listed above.
- I will not give a makeup exam unless you have a well-documented official reason for missing an exam.
- The table below gives the grade allocation by assignment.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percentage of final grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest exam score</td>
<td>30%</td>
</tr>
<tr>
<td>Middle exam score</td>
<td>20%</td>
</tr>
<tr>
<td>Lowest exam score</td>
<td>15%</td>
</tr>
<tr>
<td>Group project</td>
<td>25%</td>
</tr>
<tr>
<td>Pop quizzes</td>
<td>10%</td>
</tr>
<tr>
<td>Homework problems (For practice only)</td>
<td>0%</td>
</tr>
</tbody>
</table>

Pop quizzes
Pop quizzes will be based on material covered during the day’s lecture to ensure that you are paying attention and understanding fundamental concepts. **If you miss a pop quiz for any reason, there will be no makeup.** However, I will drop your two lowest quiz scores (including zeros if you miss class). Grading on the pop quizzes will be based on level of effort and understanding as described in the table to the left. Note that you do not have to answer every question perfectly to receive a score of 100. You need to demonstrate sincere commitment to and progress toward learning the material.

<table>
<thead>
<tr>
<th>Quality of work</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorough, thoughtful, careful, &amp; neat.</td>
<td>100</td>
</tr>
<tr>
<td>Evidence of neatness and effort but not thorough. Some answers unclear or left blank.</td>
<td>75</td>
</tr>
<tr>
<td>Very little effort or understanding shown. Sloppy. Credit given for attendance only.</td>
<td>50</td>
</tr>
<tr>
<td>Nothing turned in.</td>
<td>0</td>
</tr>
</tbody>
</table>

Small group project
The project will involve econometric analysis of healthcare data. (I will give you details in a separate document.) You will be able to work in groups of 2 or 3 to do the analysis and write a final report. I expect most of you will do the econometrics in Eviews, although you may use different software if you wish. Eviews is available at many computer centers on campus. Students can also purchase a student version of Eviews by going to the Eviews website: [http://www.eviews.com](http://www.eviews.com)

As you work on the project, you are welcome to ask me questions about the software. (If you took Econometrics with me, you should be very familiar with Eviews already.)

Grading
I plan to use the following grading scale after all scores have been averaged at the end of the semester. If this makes it impossible for anyone to receive an A, I will construct a
curve that is more lenient after all assignments have been averaged at the end of the semester. For planning purposes, you should compare your average throughout the semester to the scale below.

<table>
<thead>
<tr>
<th>Range</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-100</td>
<td>A</td>
</tr>
<tr>
<td>85-89</td>
<td>B+</td>
</tr>
<tr>
<td>80-84</td>
<td>B</td>
</tr>
<tr>
<td>75-79</td>
<td>C+</td>
</tr>
<tr>
<td>70-74</td>
<td>C</td>
</tr>
<tr>
<td>60-69</td>
<td>D</td>
</tr>
<tr>
<td>&lt; 60</td>
<td>F</td>
</tr>
</tbody>
</table>

I will use conventional rounding methods to calculate your grade – e.g., 74.4 is rounded to 74 and 74.5 is rounded to 75. If you are one point away from a higher grade you will not get the higher grade (e.g., 89 is a B+, not an A). This is less strict than it seems because the favorable weighting of the exam grades helps you more than adding a fraction of a point at the end of the semester.

Class attendance
Students are expected to attend all classes to learn the material, participate in class discussion, and complete pop quizzes. If you expect to miss one or two classes because of illness or a family emergency, please use the absence reporting website https://sims.rutgers.edu/ssra/ to indicate the date and reason for your absence. An email is automatically sent to me. If an emergency prevents you from missing an exam, please email me directly at ddelia@ifh.rutgers.edu as soon as you are able.

Academic integrity
The University has clear rules about cheating and other violations about academic integrity, which apply to this course. If you are not familiar with them, please learn them at http://academicintegrity.rutgers.edu/. If you are honest and willing to work hard to learn the course material, this should not be an issue for you.

Course materials

- Health Economics is a dynamic and rapidly evolving field making it virtually impossible for a textbook remain up to date. Therefore, I do not assign a textbook for the course. Here are two books that might be useful for you as general references.


  S. Folland, A. Goodman, & M. Stano. The Economics of Health and Health Care. 4th Ed. Pearson Prentice Hall. 2004

- Reading materials, lecture notes, and assignments will be found on the Sakai website (http://sakai.rutgers.edu/portal). Please check the site regularly. I also suggest that you use a three-ring binder to keep the materials organized.

- Exam questions will be derived directly from lectures and class discussions. Therefore, regular class attendance is crucial for learning the material.
Course topics & reading list

Some modifications to the topics and readings may be made as the semester proceeds.

PART I. BROAD ISSUES

I-1.) Introduction & Overview of Health Systems


I-2.) Health Econometrics & Statistical Modeling

This topic will depend heavily on lecture notes.


I-3.) Economic Evaluation of the Health Sector

This topic will depend heavily on lecture notes.


PART II. HEALTH INSURANCE & THIRD PARTY PAYMENT

For Part II of the course, you may find it helpful to examine chapters 7, 8, 11, and 12 from the Folland, Goodman, Stano text or chapters 4 and 5 from the Getzen text. Of course, everything I want you to know will be emphasized in the lectures. (The book chapters will cover many other topics that are not relevant for the course but you may find interesting.)

II-1.) Insurance Concepts

This topic will depend exclusively on lecture notes.

II-2.) Cost Sharing, Demand Elasticity, and Moral Hazard


II-3.) Employer Sponsored Insurance (ESI)

This topic will depend exclusively on lecture notes.

II-4.) From Managed Care to Accountable Care


PART III. HEALTHCARE PROVIDERS & PAYMENT SYSTEMS

For Part III of the course, you may find it helpful to examine chapters 13, 14, and 16 from the Folland, Goodman, Stano text or chapters 6, 8, 9, and 11 from the Getzen text. Of course, everything I want you to know will be emphasized in the lectures. (The book chapters will cover many other topics that are not relevant for the course but you may find interesting.)

III-1.) Physicians


III-2.) Hospitals


**III-3.) Pharmaceutical Firms**
