HEALTH ECONOMICS  

01:220:417:02  
Spring 2018  

Murray Hall, Room 213  
Mon/Wed, 1:10-2:30 pm

Contact Information

Bingxiao Wu, Ph.D.  
Assistant Professor  
Department of Economics, Rutgers University – New Brunswick  
75 Hamilton Street, Room 430  

Email: bwu@econ.rutgers.edu  (Please use subject line: Health Econ 417, Spring 2018)  
Office Hours: Friday 11 am – 12 pm and 3:30 – 4:30 pm

Learning Goals

This course is an upper-level economics elective. Students will apply the basic principles of microeconomics and industrial organization to the health care industry. The course has a disproportionate focus on healthcare in the United States but will cover other nations as well.

By the end of the course, students should be able to answer the following questions.

- What are the long run economic drivers of the health care system?  
- What are the main inefficiencies in the current health care system? How have regulators attempted to eliminate inefficiencies?  
- What are the economics behind alternative healthcare reform proposals?

Students will also be able to:

- Use cost-benefit analysis to evaluate medical technology.  
- Describe the U.S. health insurance industry and employee health benefit offerings, including Consumer Driven Health Plans. Explain the incentives facing health
insurers and the strategies they use to successfully compete. Understand the welfare implications of those strategies.

- Discuss the role of health care providers in shaping the demand for medical care. Understand the issue of medical practice variations.
- Understand the strengths and weakness of current approaches to measuring and rewarding provider quality.
- Understand provider and supplier pricing strategies.
- Evaluate the strengths and weaknesses of the U.S. medical liability system.

**Course Website**

https://sakai.rutgers.edu

You will be responsible for every announcement posted on Sakai. Please make sure you receive notifications through Sakai and check the web page on a regular basis.

**Prerequisites**

Intermediate Microeconomics, Econometrics

**Class Policies**

The University has clear rules about academic integrity, which apply to this course: http://ctaar.rutgers.edu/integrity/policy.html.

In addition, I have the following class polices:

- No Cell Phones and No Text Messaging
- No Food (Drink is ok)
- Attendance of class is required. You will be responsible for every announcement made in class. If you expect to miss classes because of illness or emergency, please use the University absence reporting website: https://sims.rutgers.edu/ssra/ to indicate the date and reason for your absence. An email is automatically sent to me.

**Course Grading**

Course grades will be based on three exams and a group project:
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<thead>
<tr>
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<th>Date</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Midterm 1</td>
<td>2/19</td>
<td>30%</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>3/28</td>
<td>30%</td>
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<tr>
<td>Final Exam</td>
<td>5/8</td>
<td>30%</td>
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<tr>
<td>Group Project</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Homework Questions</td>
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To help you master the course material, I will prepare and post homework questions and solutions. You will not turn in your solutions, but I will discuss the solutions to some questions at the start of each class.

No make-up exams are given unless validated and written reasons are provided.

Your letter grade will be determined according to the following scale:

<table>
<thead>
<tr>
<th>Numerical Grade</th>
<th>Letter Grade</th>
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<tbody>
<tr>
<td>90-100</td>
<td>A</td>
</tr>
<tr>
<td>85-89.99</td>
<td>B+</td>
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<tr>
<td>80-84.99</td>
<td>B</td>
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<tr>
<td>75-79.99</td>
<td>C+</td>
</tr>
<tr>
<td>70-74.99</td>
<td>C</td>
</tr>
<tr>
<td>60-69.99</td>
<td>D</td>
</tr>
<tr>
<td>0-59.99</td>
<td>F</td>
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</table>

**Group Project**

Please see instructions posted on Sakai.

**Course Material**

This course is mostly based on my lecture notes. There is no assigned textbook. I recommend the following book for reference. This book is available at the bookstore. I have placed a personal copy of mine on reserve at the Alexander Library. (You can keep the book for 2 hours in the library.)


The readings consist of several articles that review scholarly research, and a handful of seminal original research studies. I expect you to come to class with a good understanding of the assigned readings.

All course material will be found on Sakai.
Lecture Topics and Readings

January 17: Introduction

January 22: The Healthcare Quadrilemma

January 24, 29 and 31: Valuing Health

February 5, 7, 12 and 14: Technology Evaluation
Philips, C. 2009, “What is a QALY?” Sanofi-Aventis Health Economics

February 19: Midterm 1

February 21, 26, 28 and March 5: Health Insurance and Adverse Selection

March 12 and 14: Spring Break

March 7, 19, 21 and 26: Inefficient Healthcare Market – Marcus Welby Medicine and Demand Inducement

March 28: Midterm 2

April 2 and 4: The Inefficient Healthcare Market – Insurance Moral Hazard

Gruber, J., 2006, “The Role of Consumer Copayments for Health Care: Lessons from the RAND Health Insurance Experiment and Beyond”

April 9: The Inefficient Healthcare Market – Practice Variation
April 11: Pricing

April 16: Addressing the Inefficiencies – Integration and Competition


April 18: Addressing the Inefficiencies – Quality


Harris, K. and M. Buntin, 2008, “Choosing a Healthcare Provider: The Role of Quality Information” RWJF Synthesis Project

Also, please take a look at the following quality report cards:

  Healthgrades (www.healthgrades.com)
  Leapfrog Group (www.leapfroggroup.org/for_consumers)
  Niagara HQC (www.myhealthfinder.com)
  Medicare Hospital Compare (www.hospitalcompare.hhs.gov)

April 23 and 25: Group Project Presentation

Note: Group project is due on April 23.

April 30: Course Review
LEARNING GOALS FOR ECONOMICS MAJORS

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.

Department of Economics
Rutgers, The State University of New Jersey
February 2008