

HEALTH ECONOMICS

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Spring 2018

Murray Hall, Room 213

Mon/Wed, 1:10-2:30 pm

Contact Information

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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 policies:

- 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:

	Date	Weight
Midterm 1	2/19	30%
Midterm 2	3/28	30%
Final Exam	5/8	30%
Group Project		10%
Homework Questions		0%

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:

Numerical Grade	Letter Grade
90-100	A
85-89.99	B+
80-84.99	B
75-79.99	C+
70-74.99	C
60-69.99	D
0-59.99	F

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.)

- S. Folland, A. Goodman, & M. Stano. *The Economics of Health and Health Care*. 7th Ed. Pearson Prentice Hall. 2012

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

Folland, Goodman, and Stano, 2012, *The Economics of Health and Health Care*, 7th Edition, Chapter 1: Introduction

January 22: The Healthcare Quadrilemma

Weisbrod, B., 1991, “The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment” *Journal of Economic Literature*, 29: 523-552.

January 24, 29 and 31: Valuing Health

Viscusi, K., 2008, “The Value of Life: Estimates with Risks by Occupation and Industry” Vanderbilt University Law School Working Paper

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

Arrow, K., 1963, “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review*, 53(5): 941-73.

March 28: Midterm 2

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

Pauly, M. V., 1968, “The economics of moral hazard: comment.” *The American Economic Review*, 58(3), 531-537.

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

Burns, L. and Pauly, M., 2002, “Integrated Delivery System: A Detour On the Road to Integrated Health Care?” *Health Affairs*, 21, no.4 (2002):128-143

April 18: Addressing the Inefficiencies – Quality

Fung, C. et al., 2008, “Systematic Review: The Evidence that Publishing Patient Care Performance Data Improves Quality of Care” *Annals of Internal Medicine*, 148(2): 111-23.

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
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