

Economics of Health

ECP3530 Summer 2010

DEPARTMENT of ECONOMICS
FLORIDA STATE UNIVERSITY

SYLLABUS

Lectures:	MTWRF 5:15-6:30; BEL-203	Instructor:	Farasat A.S. Bokhari
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Hours:	TR – 3:30-5:00	Fax:	(850) 644-4535

Outline

Required Textbooks.

- (a) Charles E. Phelps. *Health Economics*. Addison Wesley, New York, 3 edition, 2003
- (b) Johnson-Lans S. A Health Economics Primer. New York: Addison Wesley; 2006

Course Objective. The purpose of this course is to introduce the student to the methods of health economics and demonstrate how these methods can be applied to analyze issues in health policy and management. This course will teach the student to use economic analysis to understand critical issues in health care and health policy.

Readings. The required readings are from the two textbooks listed above, plus some journal articles and chapters from other textbooks. Most of the extra readings (articles) are available on-line from JSTOR (<http://www.jstor.org>), NBER (<http://www.nber.org>), Health Affairs (<http://www.healthaffairs.org>) or through the various databases such as LexisNexis, FirstSearch etc. available through the FSU libraries (<http://www.fsu.edu/library/>). **If an article is available electronically, for instance from JSTOR, I will not place a hard copy in the library.** Hard copies of articles/chapters will be placed on reserve in the Strozier Library only if electronic version is not available. Additionally, as part of the part of the Electronic Reserve System at FSU, an electronic scan of the hard copies of these journal articles *may* also be available from <http://eres.lib.fsu.edu/courseindex.asp>.

Grading Policy. Students will be evaluated on the basis of four homework sets (10%), class participation (10%), and two exams: a midterm (40%) and a final examination (40%). The midterm will be an in class exam and the final will be a take-home exam. The assignments are typically due on Fridays. Late assignments will not be accepted.

Academic Honesty. All assignments and the exams in this class are to be done independently, without any consultation with anyone else. Deviation from this will be considered academic dishonesty and will be dealt with according to the department and university protocol. Please refer to the FSU Academic Honor Code (<http://www.fsu.edu/~union/honor.htm>).

American Disabilities Act Statement. Students with disabilities needing academic accommodations should: (1) register with and provide documentation to the Student Disability Resource Center (SDRC); (2) bring a letter to the instructor from SDRC indicating that you need academic accommodations. This should be done within the first week of class.

Debates. There will be four debates held in class (on Mondays, except the first two Mondays) and will count towards class participation. Each student will participate in at least two debates. Format, teams and topics for the debates will be announced at a later date.

Important Dates (by Type).

- 05/31 (Monday): Midterm (in-class)
- 06/18 (Friday): Final Exam (turn-in take-home on this date)

- 05/21 (Friday): Debate 1
- 05/28 (Friday): Debate 2
- 06/04 (Friday): Debate 3
- 06/11 (Friday): Debate 4

- 05/17 (Monday): Assignment 1 due
- 05/24 (Monday): Assignment 2 due
- 06/07 (Monday): Assignment 3 due
- 06/14 (Monday): Assignment 4 due

Important Dates (by Date).

- 05/17 (Monday): Assignment 1 due
- 05/21 (Friday): Debate 1
- 05/24 (Monday): Assignment 2 due
- 05/28 (Friday): Debate 2
- 05/31 (Monday): Midterm (in-class)
- 06/04 (Friday): Debate 3
- 06/07 (Monday): Assignment 3 due
- 06/11 (Friday): Debate 4
- 06/14 (Monday): Assignment 4 due
- 06/18 (Friday): Final Exam (turn-in take-home on this date)

Schedule

The class presentations and discussion will focus on six main topics given below. Each will take approximately 1 full week. However, deviations and spill-overs are to be expected. The lectures (on each topic) will be based on the specific readings listed below each topic. You are required to read all the listed material and be prepared to discuss it in class.

1. Health Care Different/Health Care Costs

- (a) Phelps (chp. 1, pp 1-8 and chp. 2, pp 43-57)
- (b) Johnson-Lans (chp.1, pp 3-11 and chp. 14, pp 296-302)
- (c) Aaron Catlin, Cathy Cowan, Stephen Heffler, Benjamin Washington, and the National Health Expenditure Accounts Team. National health spending in 2005: The slowdown continues. *Health Affairs*, 26(1):142–153, January/February 2007
- (d) Joseph P. Newhouse. Medical care costs: How much welfare loss? *Journal of Economic Perspectives*, 6(3):3–21, Summer 1992
- (e) Victor R. Fuchs. Cost containment: No pain, no gain. In *The Future of Health Policy*, chapter 10, pages 157–163. Harvard University Press, Cambridge, MA, 1993
- (f) Mark V. Pauly. Should we be worried about high real medical spending growth in the United States. *Health Affairs*, 22(1):15–27, January 1 2003. Web exclusive

2. Production of Health, Demand for Health and Medical Care

- (a) Phelps (chp. 1, pp 9-24 and p27)
- (b) Johnson-Lans (chp.2, pp 21-36)
- (c) Phelps (chp. 3, pp 59-74 and pp 97-99)
- (d) Phelps (chp. 3, pp 59-74 and pp 97-99)
- (e) Phelps (chp. 4 (except the appendix) and chp. 5)
- (f) Charles E. Phelps and Joseph P. Newhouse. Effects of coinsurance: A multivariate analysis. *Social Security Bulletin*, 35?:20+, June 1972
- (g) Willard G. Manning, Joseph P. Newhouse, Naihua Duan, Emmett B. Keeler, Arleen Leibowitz, and M. Susan Marquis. Health insurance and the demand for medical care: Evidence from a randomized experiment. *American Economic Review*, 77(3):251–277, June 1987

3. Insurance

- (a) Phelps (chp. 10, chp. 11 and chp. 16)
- (b) Johnson-Lans (chp. 3, chp. 4)
- (c) Mark V. Pauly. The economics of moral hazard: comment. *American Economic Review*, 58(3): 531–537, June 1968
- (d) Kenneth J. Arrow. The economics of moral hazard: Further comment. *American Economic Review*, 58(3):537–539, June 1968
- (e) Roger Feldman and Bryan Dowd. A new estimate of the welfare loss of excess health insurance. *American Economic Review*, 81(1):297–301, March 1991

4. Hospitals

- (a) Phelps (chp. 8, chp. 9)
- (b) Johnson-Lans (chp. 8)
- (c) Mark V. Pauly and M. Redisch. The not-for-profit hospital as a physicians' cooperative. *American Economic Review*, 63(1):87–99, 1973
- (d) James C. Robinson and Harold S. Luft. The impact of hospital market structure on patient volume, average length of stay, and the cost of care. *Journal of Health Economics*, 4:333–356, 1985
- (e) Martin S. Gaynor and Deborah Haas-Wilson. Change, consolidation and competition in health care markets. *Journal of Economic Perspectives*, 13(1):141–164, Winter 1999

5. Physicians

- (a) Phelps (chp. 6 and 7)
- (b) Johnson-Lans (chp. 6 and 7)
- (c) Uwe E. Reinhardt. A production function for physician services. *The Review of Economics and Statistics*, 54(1):55–65, February 1972
- (d) Martin S. Gaynor and Paul Gertler. Moral hazard and risk spreading in partnerships. *RAND Journal of Economics*, 26(4):591–613, Winter 1995

6. Pharmaceuticals

- (a) Phelps (chp. 15, pp 521-543 and p27)
- (b) Johnson-Lans (chp. 11)
- (c) E. Rexford Santerre and Stephen P. Neun. *Health Economics: Theories, Insights, and Industry Studies*. Thomson, 3 edition, 2004 “The Pharmaceutical Industry” (chapter 14)
- (d) John Rizzo. Advertising and competition in the ethical pharmaceutical industry: The case of anti-hypertensive drugs. *Journal of Law and Economics*, XLII:89–116, April 1999

References

- Kenneth J. Arrow. The economics of moral hazard: Further comment. *American Economic Review*, 58(3):537–539, June 1968.
- Aaron Catlin, Cathy Cowan, Stephen Heffler, Benjamin Washington, and the National Health Expenditure Accounts Team. National health spending in 2005: The slowdown continues. *Health Affairs*, 26(1):142–153, January/February 2007.
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- Victor R. Fuchs. Cost containment: No pain, no gain. In *The Future of Health Policy*, chapter 10, pages 157–163. Harvard University Press, Cambridge, MA, 1993.
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- Mark V. Pauly. The economics of moral hazard: comment. *American Economic Review*, 58(3):531–537, June 1968.
- Mark V. Pauly and M. Redisch. The not-for-profit hospital as a physicians’ cooperative. *American Economic Review*, 63(1):87–99, 1973.
- Charles E. Phelps. *Health Economics*. Addison Wesley, New York, 3 edition, 2003.
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- E. Rexford Santerre and Stephen P. Neun. *Health Economics: Theories, Insights, and Industry Studies*. Thomson, 3 edition, 2004.