ECONOMICS 214: HEALTH ECONOMICS AND POLICY

Health care inspires many questions. The U.S. system, in particular, raises deep questions about its efficiency and equity. Why, as a country, do we spend so much on health care, and why so much on some people and so little on others? Why, as a country, have we chosen such a complex combination of public and private provision? How are we to judge the efficiency and equity of health care policy? How far can we get using economic methodologies, both theoretical and empirical, to shed light on these questions?

We will begin the course with an overview of the U.S. system and a consideration of how fundamental economic concepts – supply and demand, efficiency and equity – will help us understand health care dynamics. Next, we will consider individuals’ demand for health, the derived demand for health care, and some features of the distribution of health. We will then develop a series of technical models to understand health insurance, focusing on moral hazard and adverse selection, and building our thinking around the fundamental challenge of spreading risk while maintaining incentives for health. Next, we turn our attention to the supply side of the market to understand the role of physicians, hospitals, and technology. Lastly, we investigate the role of government and use our acquired knowledge to understand and evaluate health care policy and reform.

Throughout the semester, we will pay careful attention to the nature of health care markets, the anatomy of market failures, and the implications for public policy. Economic models, empirical work, current issues, and public policies will be discussed throughout the course. In addition to technical problems and economic analyses, students will be asked to write analytical papers and participate actively in the discussion of current economic research and public policy.

Pre-requisites

Economics 111 is the only pre-requisite for this class.

Readings and Resources


Readings: There is an extensive list (below) of readings from newspapers, academic journals, and books. These are on e-reserves. You should print them out, annotate as you read, and bring your copies to class.

Course website: The Moodle site contains announcements, assignments, readings, and other materials.


Class

Class meets Mondays and Wednesdays from 12:30 to 1:50 in Beneski 107. Please arrive on time and prepared to discuss the readings assigned for that day.

Assignments (with grade shares in parentheses)

Reading: All reading must be completed before the class in which it will be discussed.
Class Participation: Active class participation is expected. (10%)
In Class Assignments: Short essays and pop quizzes are possible. (10%)
Problem Sets and Short Papers: There will be several problem sets and short papers. (20%)
Midterm Exams: There will be two in-class exams. (20% each)
Final Paper: A final paper will be due in the final weeks of the semester. (20%)

Course Policies

Students are expected to do their part to foster a positive learning environment. To that end, students are expected to do the reading, attend class, arrive on time, and participate actively. Most importantly, students are expected to speak respectfully, listen attentively, engage with others and their ideas, and participate positively in all class endeavors.

Since the use of technology can hamper our collective engagement, no technology use is permitted in class. If you believe you have a valid reason to require technology, please come to discuss it with me.

I believe that the ad-hoc granting of exceptions to rules generates substantial inequality on the Amherst campus, and consequently I insist that all work be completed on time. Exceptions will be made only in cases of personal crisis, family crisis, or medical emergency. Please do not hesitate to ask for accommodations if you are under great strain.

Students must abide by the Amherst College Honor Code. Your work must be your own. If you consult any sources (including online sources), you must cite them clearly and completely. If you work with others, you must make a note of that on your own assignment. So that you have a clear understanding of your ethical obligations, I ask that you carefully reread the Statement of Intellectual Responsibility by September 15th.
ECONOMICS 214: HEALTH ECONOMICS AND POLICY

Introduction

Week 1 (9/6)

- Introduction
  - BHT Chapter 1: Why Health Economics
  - Cutler Chapters: “Introduction: Crisis by Design” and “Chapter 1: The Health of the Nation.”

Week 2 (9/11)

- Health Care Systems, Institutions, and Reform
  - BHT Chapter 18. The American Model
  - Santerre and Neun Chapter 4: Health Care Systems and Institutions
Demand: Individuals and Health

Week 2 (9/13)
- Demand for Health Care
  - BHT Chapter 2: Demand for Health Care

Week 3 (9/18, 9/20)
- Demand for Health
  - BHT Chapter 3: Demand for Health: The Grossman Model

- Socioeconomic Disparities in Health
  - BHT Chapter 4: Socioeconomic Disparities in Health
  - “Economic shocks are more likely to be lethal in America,” The Economist, March 25, 2017.

Week 4 (9/25, 9/27)
- Obesity
  - BHT Chapter 22: Obesity

September 27, 2017 – likely date for 1st exam – on Intro and Demand
Insurance (and the Economics of Information)

Week 5 (10/2, 10/4)

- Demand for Insurance
  - BHT Chapter 7: Demand for Insurance

- Moral Hazard
  - BHT Chapter 11: Moral Hazard

Week 6 (10/11)

- Adverse Selection (Akerlof and Finkelstein/Einav)
  - BHT Chapter 8: Adverse Selection: Akerlof’s Market for Lemons

Week 7 (10/16, 10/18)

- Adverse Selection (Rothschild/Stiglitz)
  - BHT Chapter 9. Adverse Selection: The Rothschild-Stiglitz Model

- Private Health Insurance and Managed Care
  - BHT Chapter 10: Adverse Selection in Real Markets
  - Cutler Chapter 8: The Managed Care Debacle
  - BHT 18.1 and 18.2

October 25, 2017 – likely date for 2nd exam – on Insurance
Supply: Providers and Health Care

Week 8 (10/23, 10/25)

- Physicians
  - BHT Chapter 5: The Labor Market for Physicians
  - Cutler Chapter 7: You Get What You Pay For
  - Cutler Chapter 9: Paying for Health

Week 9 (10/30, 11/1)

- Hospitals
  - BHT Chapter 6: The Hospital Industry

- Economics of Health Innovation
  - BHT Chapter 13: Technology and the Price of Health Care
  - BHT Chapter 14: Health Technology Assessment
  - Cutler Chapter 2: Pricing the Priceless
Government and Health Policy

Week 10 (11/6, 11/8)

- Health Policy and the Role of Government
  - BHT Chapter 15. The Health Policy Conundrum

- Beveridge and Bismarck Models
  - BHT Chapter 16. The Beveridge Model: Nationalized Health Care
  - BHT Chapter 17. The Bismarck Model: Social Health Insurance

Week 11 (11/13, 11/15)

- The American Model: Overview
  - BHT Chapter 18. The American Model

- Medicare
  - BHT 18.3

Week 12 (11/27, 11/29)

- Medicaid
  - BHT 18.4

- The Uninsured
  - BHT 18.5
Week 13 (12/4, 12/6)

- Health Care Reform
  - BHT 18.6

Week 14 (12/11, 12/13)

- Policy Discussion

- Wrap-up