

Health Economics Syllabus

University of Southern California
Spring 2016

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Grader: TBD

This course is an introduction to the field of health economics. Health economics is an active field of microeconomics with a large and growing literature. In the past three decades, some of the most controversial policies considered by state and federal governments have involved issues that have been analyzed by health economists. In the course we will study uninsurance and the Affordable Care Act (ACA), for example. In addition to the ACA, we will cover topics such as measurement and determinants of health, health disparities, unhealthy behaviors and health insurance. The goal of this course is twofold. One is to better understand the economic theory of health and healthcare. We will study several economic models in detail, including models of health, addiction, demand for healthcare and demand for insurance. The emphasis will be on key economic concepts that health economists use to analyze health and healthcare markets. The second goal of the class is to learn to evaluate and interpret empirical findings in health economics. We will read some of the papers in detail, spending a lot of time understanding the econometric models and the findings reported in those papers.

Prerequisites

Econ 303 is a prerequisite. Although not a prerequisite, students will benefit from having taken Econ 318.

Textbook and Readings

Textbook: *Health Economics* by Bhattacharya, Hyde and Tu (2013).

Required readings are listed under each topic. These readings will be available online.

Course Grading

Midterm Exam: 30%
Final Exam: 40%
3-4 Problem Sets: 15%
Class Participation: 15%

Class Participation (15%)

Class discussion is important for both individual and collective learning. The quality of a student's participation is at least as important as the quantity, and the following points characterize effective participation:

. Do comments draw on the text and materials from this and other courses?

Do they show evidence of analysis?

. Does the student distinguish between positive and normative analysis?

Does the student distinguish between opinion and well-supported analysis?

. Are the points made substantive? Are they linked to the comments of others? Do they advance or deepen the discussion? Do they deepen the analysis?

. Do comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being considered? Is there an attempt to synthesize the discussion?

Regrade Policy

The material covered on the examinations will come from the lecture notes, problem sets and required reading. If a student requests that some question on an examination be re-graded, the professor will review the entire examination. Makeup exams will be offered only under extenuating circumstances (e.g. serious injuries, family deaths), so please plan ahead.

1. Introduction to Health Economics

1.1. The economic way of thinking about health

BHT, Ch. 1

Fuchs, Victor R. "What is Health Economics?" In *The Future of Health Policy*. Boston: Harvard University Press, pp. 27-40.

De Lew, Nancy; Greenberg, George; and Kinchen, Kraig. 1992. "A Layman's Guide to the U.S. Health Care System," *Health Care Financing Review* 14(1, Fall): 151-169.

Weisbrod (1991) "The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment" *Journal of Economic Literature* 29(2): 523-552

Fuchs (1996) "Economics, Values, and Health Care Reform," *American Economic Review* 86(1):1-24

1.2. Health measurement, determinants and long run trends

Baker, M., Stabile, M., and Deri, C. "What Do Self-Reported Objective Measures of

Health Measure?" *Journal of Human Resources*, 39(4), pp.1067-1093

Cutler, David, Angus Deaton and Adriana Lleras-Muney, "The Determinants of Mortality," *Journal of Economic Perspectives*, Vol 20, Number 3, Summer 2006.

Angus Deaton. 2013. *The Great Escape*, Princeton University Press. Chapter 1.

1.3. Health care spending – some facts

Aaron, H. and P. Ginsburg. 2009. "Is Health Spending Excessive? If So, What Can We Do About it?" *Health Affairs*, 28(5): 1260-1275.

NIHCM Data Brief, July 2012. The Concentration of Health Care Spending.

Kaiser Family Foundation, May 2012. Health Care Costs: A Primer.

2. Economic Models of Health

BHT, Ch. 2 & 3

Grossman, Michael. 1972. On the Concept of Health Capital and the Demand for Health. *Journal of Political Economy* 80 (2): 223–255.

Becker, Gary S., Tomas J. Philipson, and Rodrigo R. Soares. 2005. The Quantity and Quality of Life and the Evolution of World Inequality. *American Economic Review*. 95(1): 277-91.

Heckman, James J. 2007. The economics, technology, and neuroscience of human capability formation. *Proceedings of the National Academy of Sciences, USA*. 104(33):13250-5. Epub 2007 Aug 8. (see also <https://www.aft.org/sites/default/files/periodicals/Heckman.pdf> for a summary)

3. Health and SES

BHT, Ch. 4

Smith, James P. 1999. Healthy Bodies and Thick Wallets: The Dual Relation Between Health and Economic Status. *Journal of Economic Perspectives*. 13(2):145-167.

Case, Anne, Darren Lubotsky, and Christina Paxson. 2002. Economic Status and Health in Childhood: The Origins of the Gradient. *American Economic Review*. 92(5): 1308-34.

Lleras-Muney, Adriana. 2005. The Relationship between Education and Adult Mortality in the United States," *Review of Economic Studies*, 72(1): 189-221.

Mazumder, Bhashkar. 2008. Does Education Improve Health? A Reexamination of the Evidence from Compulsory Schooling Laws. *Federal Reserve Bank of Chicago Economic Perspectives*. 32(2): 2-16.

4. Health Insurance

4.1. Introduction and Moral Hazard

BHT, Ch. 7 & 11

Manning, Willard; Newhouse, Joseph; Noh, Duan; Keeler, Emmett; and Leibowitz, Arleen. "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment." *American Economic Review* 77 (June, 1987): 251-277.

4.2. Adverse Selection in Health Insurance

BHT, Ch. 8, 9 & 10

Akerlof, George. "The Market for Lemons," *Quarterly Journal of Economics*, 84, August 1970: 488-500.

Michael Rothschild and Joseph Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90 (4), November 1976, pp. 630-649.

Krugman, Paul, "Health Economics 101," *New York Times*, November 14, 2005.

Cutler, D. and Reber, S. "Paying for Health Insurance: The Trade-Off Between Competition and Adverse Selection," *Quarterly Journal of Economics*, May 1998:434-466.

Gruber, Jonathan, "Why We Need the Individual Mandate," *Center for American Progress Report*, April 8, 2010.

4.3. Social Insurance: Medicaid and Medicare

BHT, Ch. 17 & 18

Iglehart (1999) "The American Health Care System: Medicaid," *New England Journal of Medicine* 340(5): 403-8

Iglehart (1999) "The American Health Care System: Medicare," *New England Journal*

Finkelstein, Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, Katherine Baicker, and the Oregon Health Study Group. 2012. The Oregon Health Insurance Experiment: Evidence from the First Year. *Quarterly Journal of Economics*. 127(3): 1057-1106.

Baicker, Katherine, et al., "The Oregon Experiment – Effects of Medicaid on Clinical Outcomes," *The New England Journal of Medicine*, May 2, 2013.

Finkelstein, Amy and Robin McKnight. 2008. What Did Medicare Do? The Initial Impact of Medicare on Mortality and Out of Pocket Medical Spending. *Journal of Public Economics*. 92(7): 1644-1668.

Barcellos & Jacobson 2014

Currie, Janet and Gruber, Jonathan. "Saving Babies: The Efficacy and Cost of Recent Changes in the Medicaid Eligibility of Pregnant Women," *Journal of Political Economy*, 104, (6), December 1996.

Currie, Janet and Gruber, Jonathan, "Public health insurance and medical treatment: the equalizing impact of the Medicaid expansions," *Journal of Public Economics*, 2001.

Finkelstein, Amy, "The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare," *Quarterly Journal of Economics*. February 2007.

Card, David, Carlos Dobkin and Nicole Maestas, "The Impact of Nearly Universal Insurance Coverage on Health Care Utilization and Health: Evidence from Medicare," NBER Working paper 10365, March 2004

Gruber, Jonathan and Kosali Simon, "Crowd-Out Ten Years Later: Have Recent Public Insurance Expansions Crowded Out Private Health Insurance?" NBER Working Paper 12858, January 2007

5. Uninsurance and the Affordable Care Act

BHT, Ch. 18

Baicker, Katherine and Chandra, Amitabh, 2008. "Myths and Misconceptions about U.S. Health Insurance," *Health Affairs*, Web Exclusive: w533-w543.

Gruber, Jonathan, 2008. "Covering the Uninsured in the United States," *Journal of Economic Literature*, 46(3): 571-606.

Kaiser Family Foundation, April 2013. "Summary of the Affordable Care Act"

PNAS

Fredric Blavin, Stephen Zuckerman, and Michael Karpman, 2014. "Who Has Been Looking for Information in the ACA Marketplaces? Why? And How?" Urban Institute Health Reform Monitoring Survey Brief.

Aaron, Henry J. and Kevin W. Lucia, 2013. "Only the Beginning — What's Next at the Health Insurance Exchanges?" *New England Journal of Medicine* 369:1185-1187

Sommers, B, G. Kenney and AM Epstein. 2014. New Evidence On The Affordable Care Act: Coverage Impacts Of Early Medicaid Expansions *Health Affairs*, 33(1): 78-87.

The July 2010 symposium at Health Affairs on the recent health care reform effort is worth perusing. For interested students, this symposium can be found at <http://content.healthaffairs.org/content/vol29/issue7/index.dtl>

Jonathan Gruber (1994) "The Incidence of Mandated Maternity Benefits," American Economics Review 84(3):622-41.

David Cutler (2010) "How Health Care Reform Must Bend the Cost Curve" Health Affairs 29(6): 1131-35.

Douglas Holtz-Eakin and Michael J. Ramlet (2010) "Health Care Reform is Likely to Widen Federal Budget Deficits, Not Reduce Them" Health Affairs 29(6):1136-41.

6. Unhealthy behavior: evidence and policy issues

BHT, Ch. 22

Fenelon, Andrew and Samuel H. Preston. 2012. Estimating Smoking-Attributable Mortality in the United States. Demography. 49: 797-818.

Becker, Garry S. and Murphy Kevin M., "A Theory of Rational Addiction," Journal of Political Economy, 1988; 96(4):675-700.

Manning W. G., E.B. Keeler, J. P. Newhouse, E. M. Sloss and J. Wasserman, "Taxes of Sin: Do smokers and Drinkers pay their way?," Journal of the American Medical Association 261(11), 1989

Cutler, Glaeser, and Shapiro (2003) "Why Have Americans Become More Obese?" NBER Working Paper #9446

Lakdawalla, Philipson, and Bhattacharya (2005) "Welfare-Enhancing Technological Change and the Growth of Obesity" American Economic Review 95(2):253-7.

Bhattacharya J and Sood N (2010) "Who Pays for Obesity" Journal of Economic Perspectives

7. The Behavioral Economics of Health

BHT, Ch. 23 & 24

Gruber and Kosegi (2001) "Is Addition 'Rational'? Theory and Evidence," Quarterly Journal of Economics 116(4):1261-1303

Bhattacharya J, Goldman D, and Sood N, "Market Evidence of Misperceived Prices and Mistaken Mortality Risks," (2009) Journal of Economics, Behavior, and Organization.

Heather's exercise stuff.

Additional Topics (time permitting)**Health and economic development**

Acemoglu, Daron and Simon Johnson. 2007. Disease and Development: The Effect of Life Expectancy on Economic Growth. *Journal of Political Economy*. 115(6): 925-85.

Thomas, Duncan et al. (2006). "Causal Effect of Health on Labor Market Outcomes: Experimental Evidence," mimeo, UCLA.

Alwyn Young. The Gift of the Dying: The Tragedy of AIDS and the Welfare of Future African Generations. *Quarterly Journal of Economics*, 120(2):423-466, May 2005.

Bleakley, C. Hoyt. 2007. Disease and development: Evidence from hookworm eradication in the American South. *Quarterly Journal of Economics* 122(1): 73-117.

Bleakley, C. Hoyt. 2010b. Malaria in the Americas: A Retrospective Analysis of Childhood Exposure. *American Economic Journal: Applied*, 2(2):1-45, April.

Bleakley, C. Hoyt. 2010a. Health, Human Capital, and Development. *Annual Review of Economics*, 2:283-310.

Externalities and public health

BHT, Ch. 20

Cutler, David M. and Grant Miller. 2005. The Role of Public Health Improvements in Health Advances: The Twentieth-Century United States. *Demography*. 42(1): 1-22.

Almond D, B Mazumder. 2005. The 1918 influenza pandemic and subsequent health outcomes: An analysis of SIPP data. *American Economic Review: Papers and Proceedings*. 95: 258-262.

Chay, Kenneth and Greenstone, Michael. "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession," August 2003, *Quarterly Journal of Economics*, 118(3)

Miguel, Edward, and Michael Kremer (2004). "Worms: Identifying Impacts on Education and Health the Presence of Treatment Externalities", *Econometrica*, 72(1), 159-217.

Pharmaceuticals and Technological Innovation

BHT, Ch. 12 & 13

Weisbrod, Burton A. 1991. "The Health Care Quadrilemma: An Essay on Technological

Change, Insurance, Quality of Care, and Cost Containment." *Journal of Economic Literature*, 29 (1991): 523-552.

Fisher, Elliot, Jonathan Skinner and Douglas Staiger, "Is Technological Change in Medicine Always Worth It? The Case of Acute Myocardial Infarction," *Health Affairs*, Web Exclusive, February 7, 2006.

Kremer, Michael, "Pharmaceuticals and the Developing World," *Journal of Economic Perspectives*, 16(4): 67-90, 2002.

Cutler and McClellan (2001) "Is Technological Change in Medicine Worth It?" *Health Affairs*, 20(5):11-29.