

The Economics of Health and Health Policy
ECON 755

I. INSTRUCTOR INFORMATION

Instructor: John McAlearney, Ph.D.
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Office Hours of Instructor

By appointment either prior to or after class.
Please make appointments directly with the instructor by phone or email.

As issues arise and enhancements are incorporated, changes may be made to this course outline. The instructor will notify students in advance of any such changes. These changes might include assignment of readings, inclusion of a guest lecturer, or alteration of the content for class sessions.

II. COURSE SCHEDULE AND DESCRIPTION

Classes will meet one evening a week from 6:00-8:30 p.m. at the Center for Global Health Systems, Management, and Policy in Kettering (Miami Valley Research Park).

This course explores the economics of health and health care services and its role in current health policy. The sessions will focus on the market for health care and its financing, the role of government, the impact of innovation, incentives for quality, and economic evaluation. Our investigation will introduce underlying economic theory, emphasize real-world examples and provide opportunities to discuss current health care and public health policy issues.

III. COURSE OBJECTIVES:

By the end of this course, students should expect to:

1. Identify reasons why health economics is as an important subfield of economics and state what characteristics distinguish health related goods and services markets from non-health markets.
2. Explain why the presence of insurance affects both the demand and supply for health care.
3. Define price elasticity and illustrate the importance of the RAND health insurance experiment.
4. Distinguish between perfect competition and monopoly power and explain how each can influence health care markets.
5. Explain the role of quality and how differing levels of quality can affect health care demand and supply
6. Construct an evaluation of an international health system.
7. Critique current US health care policy proposals based on health economics research findings and theoretical arguments.

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8. Define economic evaluation. Be able to outline the construction of a cost-effectiveness analysis and explain its usefulness.
9. Describe the role of technology and its influence on health markets.

IV. PREREQUISITES

Participation in this course requires acceptance in the Certificate in Health Care Management, dual MD/MPH – MD/MBA, or Master of Public Health programs or with permission of the instructor.

V. MODE OF INSTRUCTION

The main concepts and theory will be presented in lecture format; however, the class will also be very participatory, especially with regards to assigned readings covering health policy and public health issues. As a result, class participation by students is vital, required and will be actively promoted by the instructor.

In addition to in-class discussions, this course is mixed-mode and, as a result, will utilize WebCT, an Internet-based tool, to further our discussion while not in class. Students are required to log-on to WebCT and be actively involved in the discussions going on throughout the quarter.

VI. ATTENDANCE

While attendance is required at all class sessions, this instructor certainly recognizes the demands graduate education places on full-time working professionals. With that said, *the greatest benefit of this course will come from the group discussions taking place in class.* Studying a textbook and reading the articles assigned will only contribute to a limited understanding of the course content. As you will find, a practical and rich understanding of health economics will come through participation in classroom-based discussions and some debate which, of course, necessitates attendance.

VII. ASSIGNMENTS AND GRADING

In order to stimulate learning through self-investigation, students are required to complete the following assignments and will receive an overall grade based on the following assignments.

1) Participation is based on three components:

a) In-class discussion requires one to be involved in group discussions and to take an active role in the oral evaluation of the required policy reading each session.

b) WebCT discussions require that the student either respond to questions posed by the instructor on the Discussion Board or add substantially to an answer presented by a fellow student. For full credit, each student will be required to formulate 10 well-

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developed responses on-line before the end of the course. The responses may be made to the original questions or a peer's response.

c) A short, in-class presentation on a foreign county's health system. Each student should present a 10 to 15 minute (5-10 slides) introduction to a foreign county's health care system. Presentations will take place on ~the 8th week of class. Students can choose their own country; however, they will need to notify the instructor of their choice to prevent multiple presentations using the same county. Presentations should include information on 1) health care financing, payment, and insurance, 2) government involvement, 3) basic information on how the county compares internationally with regards to health indicators (e.g., mortality rates), and 4) an specific area of personal interest (e.g. public health, physician employment, hospital ownership, etc.).

2) A Final exam will be distributed prior to the end of the course via email. The exam will be due on or before the last day of class. The exam will cover the material presented and discussed in class as well as any required readings. The exam format will consist of short and long essay questions. Each exam must represent a student's individual effort and therefore, each is on their honor not to communicate with or assist others regarding the exam at any time.

This course follows the Wright State University Code of Conduct:
<http://www.wright.edu/students/judicial/conduct.html>

Assignments	Due Date
In class discussion	Each class
WebCT discussion	Through the end of the quarter
International Health System Presentations	~8th class
Final Exam Due	Due the last day of class

The overall course grade will result from the weighting formula below.

	<u>Weights</u>
Final exam	40
Participation	60
In class discussion (20)	
WebCT Discussions (20)	
International Health System Presentation (20)	_____
Total	100

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VIII. COURSE OUTLINE AND ASSIGNED READINGS

All necessary textbooks will be provided at or prior to the first course meeting. To access journal articles and other non-textbook readings (required, supplementary and those for additional information) please go to the Wright State University Course Reserve Web site at <http://wright.docutek.com/courseindex.asp> and look under EC 755.

Provided Texts:

Phelps, Charles E. Health Economics (3rd Edition). Boston: Addison Wesley. 2003.
Cutler, David M., Your Money or Your Life. New York: Oxford University Press. 2004.

Course Schedule

Week 1	Introduction and Overview: An Economic Perspective on Health
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Readings:

REQUIRED

Cutler, Your Money or Your Life - (Intro & Chap 1)

Supplemental

Phelps, Health Economics - (Chapter 1)

For further information

Arrow, K. J., "Uncertainty and the Welfare Economics of Medical Care," *American Economic Review* 1963; 53(5):941-973.

Pauly, M. V., "Is Medical Care Really Different?" in Greenberg, W. ed, *Competition in the Health Care Sector*, Germantown, MD: Aspen Systems, 1978.

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

Week 2	The Interaction of Health Insurance and Health Service Markets
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Readings:

REQUIRED

Cohen, J. W. and Krauss, N. A., "Spending and Service Use Among People with the Fifteen Most Costly Medical Conditions, 1997," *Health Affairs* 2003; 22(2): 129-138.

Cutler, Your Money or Your Life - (Chapter 2)

Supplemental

Phelps, Health Economics - (Chapters 2 & 3)

For further information

Feldstein, M. S. "The Welfare Loss of Excess Health Insurance" *Journal of Political Economy*, 1973; 81:251-280.

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Levit, K, "Inflation Spurs Health Spending in 2000," *Health Affairs* 2002; 21(1):172-181.

Pauly, M. V., "Taxation, Health Insurance, and Market Failure in the Medical Economy," *Journal of Economic Literature* 24(2): 629-675.

Week 3	Demand for Health Care
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Readings:

REQUIRED

Fisher, E. S., Wennberg, D. E., Stukel, T. A., Gottlieb, D. J., Lucas, F. L., and Pinder, E. L., "The Implications of Regional Variations in Medicare Spending. Part 1: The Content, Quality, and Accessibility of Care" *Annals of Internal Medicine* 2003;138: 273-287.

Cutler, Your Money or Your Life - (Chapter 3)

Supplemental

Phelps, Health Economics - (Chapters 4 & 5)

For further information

Elliott S. Fisher, E. S., Wennberg, D. E., Stukel, T. A., Gottlieb, D. J., Lucas, F. L., and Pinder, E. L., "The Implications of Regional Variations in Medicare Spending. Part 2: Health Outcomes and Satisfaction with Care" *Annals of Internal Medicine* 2003;138: 288-298.

Eichner M. J., "The Demand for Medical Care: What People Pay Does Matter," *American Economic Review Papers and Proceedings* 1998; 88(2): 117-121.

Manning, W.G., Newhouse, J. P., Duan, N., et al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *American Economic Review* 1987; 77(3): 251-277.

Week 4	Supply of Health Care I
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Readings:

REQUIRED

Gabel, J.R., Whitmore, H., Rice, T., and Lo Sasso, A.T. "Employers' Contradictory Views About Consumer-Driven Health Care: Results From A National Survey" *Health Affairs* 2004; Web Volume 4:210-18 (April 21, 2004)

Cutler, Your Money or Your Life - (Chapter 4)

Supplemental

Phelps, Health Economics - (Chapters 6 & 7)

For further information

Gaynor, M. and Gertler, P. "Moral Hazard and Risk Spreading in Partnerships," *RAND Journal of Economics* 1997; 16(1):1-31.

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Dranove, D., Shanley M., and Simon C., "Is Hospital Competition Wasteful?" *Rand Journal of Economics* 1992; 23(2):247-61.

Feldman, R., and Dowd B., "Is There a Competitive Market for Hospital Services?" *Journal of Health Economics* 1986; 5(3):277-292.

Week 5	Supply of Health Care II
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Readings:

REQUIRED

Reinhardt, U. E., "Dreaming The American Dream: Once More Around On Physician Workforce Policy" *Health Affairs* 2002; 21 (5): 28 – 32.

Cutler, Your Money or Your Life - (Chapter 5)

Supplemental

Phelps, Health Economics - (Chapters 8 & 9)

Week 6	Health Care Reform in the United States
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Readings:

REQUIRED

Timely policy reading to be distributed.

Cutler, Your Money or Your Life - (Chapter 7)

Supplemental

Phelps, Health Economics - (Chapter 12 & 15)

Fuchs, V. R., "National Health Insurance Revisited." *Health Affairs* 1991;10(4): 7-17.

For further information

Adams, E. K., "The Effect of Increased Medicaid Fees on Physician Participation and Enrollee Service Utilization in Tennessee," *Inquiry* 1994; 31(2):173-189.

Culter, D. M. and Gruber, J. "Does Public Insurance Crowd Out Private Insurance?" *Quarterly Journal of Economics* 1996; 111(2):391-430.

Hsiao, W. C., et. al. "Resource Based relative Values," *Journal of the American Medical Association* 1988; 260(16): 2347-2360.

Inglehart, J. K., "The American Health Care Systems: Medicaid," *The New England Journal of Medicine* 1993; 328(12):896-900.

Inglehart, J. K., "The American Health Care Systems: Medicare," *The New England Journal of Medicine* 1992; 327(20): 1467-1472.

Mann, J., Melnick, G., Bamezai, A., and Zwanziger, J. "A Profile of Uncompensated Hospital Care, 1983-1995" *Health Affairs* 1997; 16(4): 223-232.

Norton, S. and Lipson, D. "Portraits of the Safety Net: Public Policy, Market Forces and the Viability of Safety Net Providers" Occasional Paper #13., Washington, DC: The Urban Institute. (<http://www.urban.org/UploadedPDF/occ19.pdf>)

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- Vladeck, B.C., and King, K. M., "Medicare at 30: Preparing for the Future," *Journal of the American Medical Association* 1995; 274(3):259-262.
- Fuchs, V. R., "The Clinton Plan: A researcher examines reform." *Health Affairs* 1994;13(1): 102-114.
- Blumberg L. J., and Nichols, L. M. "First, Do No Harm: Developing Health Insurance Market Reform Packages" *Health Affairs* 1996; 15(3):35-53
- Starr, P., "Health Care Reform and the New Economy" *Health Affairs* 2000; 19(6):23-32.
- Breaux, J. "The Breaux Plan: A Radically Centrist Approach To A New Health Care System" *Health Affairs* 2003; Web Volume 3: 131-134.

Week 7	The Economics of Health Care Quality
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Readings:

REQUIRED

- Steven H. Woolf, Robert E. Johnson, George E. Fryer, Jr, George Rust, and David Satcher . "The Health Impact of Resolving Racial Disparities: An Analysis of US Mortality Data" *Am J Public Health* 2004; 94(12) 2078-2081.
- Cutler, Your Money or Your Life - (Chapter 6)

Supplemental

Phelps, Health Economics - (Chapter 13)

For further information

- Hibbard J. H., Stockard, J., and Tusler M., "Does Publicizing Hospital Performance Stimulate Quality Improvement Efforts?" *Health Affairs* 2003; 22(2): 84-94.
- Newhouse, J. P. "Why Is There a Quality Chasm?" *Health Affairs* 2002; 21(4): 13–25.
- Leatherman, S., Berwick, D., Iles, D., Lewin, L. S., Davidoff, F., Nolan, T., and Bisognano M. "The Business Case For Quality: Case Studies And An Analysis" *Health Affairs* 2003; 22(2): 17- 30.
- Thomas EJ, Studdert DM, Newhouse JP, et al. "Costs of medical injuries in Utah and Colorado." *Inquiry* 1999;36:255-64.
- Mello, M. M., Studdert, D. M., and Brennan, T. A., "The Leapfrog Standards: Ready To Jump From Marketplace To Courtroom?" *Health Affairs* 2003; 22(2):46-59.

Week 8	Comparison of International Health Systems
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Readings:

REQUIRED

- Landro, L., "A Carrot for the Right Prescription" *Wall Street Journal* (May 6, 2004), D3.
- Cutler, Your Money or Your Life - (Chapter 8)

Supplemental

Phelps, Health Economics - (Chapter 16)

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For further information

Goldsmith, L. J. "Canada." In *World Health Systems: Challenges and Perspectives*, Fried, B. J. and Gaydos, L. M. eds, pp. 227-48, Chicago: Health Administration Press, 2002.

Minrichs, K. "The Impact of German Health Insurance Reforms on Redistribution and the Culture of Solidarity," *Journal of Health Politics, Policy and Law* 1995: 20:653-687.

Wilhelm-Schwartz, F., and Busse, R. "Germany" In *Health Care Reform: Learning from International Experience*, Ham, C ed., Philadelphia: Open University Press, 1997.

Yoshikawa, A., and Bhattacharya J., "Japan." In *World Health Systems: Challenges and Perspectives*, Fried, B. J. and Gaydos, L. M. eds, pp. 249-66, Chicago: Health Administration Press, 2002.

Week 9	Economic Evaluation
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Readings:

REQUIRED

Enthoven, A. "Employment-Based Health Insurance is Failing: Now What?" *Health Affairs* 2003; Web Volume 3: 237-249.

Cutler, Your Money or Your Life - (Chapter 9 & 10)

For further information

Doubilet P, Weinstein MC, McNeil BJ "Use and Misuse of the Term Cost-Effective in Medicine," *NEJM* 1986; 314(4):253-256.

Eddy DM "Cost-Effectiveness Analysis: A conversation with my father," *JAMA* 1992; 267(12):1669-1675.

Siegel JE, Weinstein MC, Russell LB, Gold MR "Recommendations for Reporting Cost-Effectiveness Analyses," *JAMA* 1996; 276(16):1339-1341.

Tengs T, Adams M, Pliskin J, Safran D, Siegel J, Weinstein M, Graham J. Five-hundred life-saving interventions and their cost-effectiveness. *Risk Analysis*, 1995, 15(3), 369-390.

Week 10	The Limits of Health Economics & Economic Consideration of Advances in Health Care
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Readings:

REQUIRED

Rohit P. Ojha and Raymond Thertulien. "Health Care Policy Issues as a Result of the Genetic Revolution: Implications for Public Health" *Am J Public Health* 2005; 95: 385-388.

Supplemental

Phelps, Health Economics - (Chapter 15)

For further information

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Rice, T., Biles, B., Brown, E. R., Diderichsen F., and Kuehn H., "Reconsidering the Role of Competition in Health Care Markets." *Journal of Health Politics, Policy, and Law* 2000; 25(5): 863-73.

Weisbrod, B. A, and LaMay, C. L., "Mixed Signals: Public Policy And The Future Of Health Care R&D" *Health Affairs* 1999;18(2): 112-125

Danzon, P. M., and Pauly, M. V., "Insurance And New Technology: From Hospital To Drugstore" *Health Affairs* 2001; 20 (5): 86-100.