

PHC 6430: Health Economics I

"Growing old is a pretty lousy thing to have happen to you, until you consider the alternative."

-- George Burns --

Time	6:00 – 8:50pm, Mondays
Location	CPH 2018
Instructor	Etienne E. Pracht, Ph.D.
Phone	813 974 7609
e-mail	epracht@hsc.usf.edu
e-resources	www.hsc.usf.edu/~epracht
Office Hours	4:30 – 6:00pm Mondays, HPM 2131
Textbook	Folland, Sherman, Allen C. Goodman, and Miron Stano, <u>The Economics of Health and Health Care</u> (4 th Ed) Prentice Hall Inc., 2003. Articles related to sub-topics are listed in the outline section of this syllabus and will be made available on blackboard.

Course Description & Objectives

Access to quality health care remains an important public health problem for a significant part of the population. Since delivery of health care in the U.S. is primarily market driven it is essential that we understand the role of markets and market structures as it pertains to access and quality. The purpose of this course is to examine the role of market structures using microeconomic tools and concepts. Within this context, this course examines the theoretical and empirical analyses of major topics in health care economics, such as the production of health, demand for medical care and health insurance, the physician-firm, the hospital market, and government provided health care.

After successfully completing this course, students will be able to:

1. Discuss the U.S. Health Care market from a structural perspective.
2. Identify economic issues relevant to the health care policy debate.
3. Discuss health policy related concepts involving efficiency and equality.
4. Evaluate policies from an economic perspective.
5. Evaluate the health care market place from a “systems” perspective.

Tests and grading:

1. Grades will be based on three exams (two midterms and a final) and one term paper. The term paper topic will be selected by each individual student with approval from the instructor.
2. Neither the exams nor the term paper are optional.
3. Both exams will consist of approximately five essay questions.
4. Exams which are missed may be retaken only with a legitimate, or officially approved, excuse.
5. No individual extra credit work is possible.

The grading procedure is as follows:

1. Exam I		10%
2. Exam II		30%
3. Exam III		30%
4. Term Paper	(page 5)	25%
5. Presentation	(page 5)	<u>5%</u>
		100%

Grading Scale:

There are 100 possible points during the course. **The course grade will be based on the cumulative score.** Grades will be assigned according to the following scale. A cumulative score in a particular range, as shown below, guarantees that score.

Cumulative Score Range	Guaranteed Grade
90 and above	A
80 – 89	B
70 – 79	C
60 – 69	D
59 and below	F

Course Materials

Course materials, including taped lectures and power point slides, may **not** be distributed or used for purposes unrelated to this course without written permission of the instructor.

Outline**TOPIC A: Microeconomics workshop**

i. Why Health Economics

- Folland et al. 4th Ed. (2003), “Chapter 1. Introduction”

ii. Overview of Microeconomics

- Folland et al. 4th Ed. (2003), “Chapter 2. Microeconomic Tools for Health Economics”
- Folland et al. 4th Ed. (2003), “Chapter 3. Statistical Tools for Health Economics”

Sub-topics

Opportunity Cost, Simple Supply and Demand Model
Price Elasticity of Demand
Utility Functions
Market Structures

iii. Health care and the Macro Economy

Sub-topics

GDP and its components
Inflation



Exam I
Take home (microeconomics review)

TOPIC B: Production of Health Care

- Folland et al. 4th Ed. (2003), “Chapter 4. The Production of Health”
- Folland et al. 4th Ed. (2003), “Chapter 6: Demand for Health Capital”

Background articles

- Michael Grossman, "On the Concept of health Capital and the Demand for Health," Journal of Political Economy, 80(1972): 223-55
- Kenneth J. Arrow, “Uncertainty and the Welfare Economics of Medical Care,” American Economic Review 52 (1963): 941-969

TOPIC C: Demand for Medical Care

- Feldstein 5th Ed. (1999), “Chapter 5. The Demand for Medical Care.” (packet)
- Folland et al. 4th Ed. (2003), “Chapter 8. Consumer Choice and Demand.”

Background articles

- Richard Auster, et.al., "The Production of Health, An Exploratory Study," The Journal of Human Resources, IV, vol. 14, Fall 1969, pp. 412-436
- Sickles, Robin C. and Abdo Yazbeck (1998) “On the dynamics of demand for leisure and the production of health,” Journal of Business & Economic Statistics 16 (2): 187-197 ([online](#))
- Kilm McPherson, "International Differences in Medical Care Practices," Health Care Financing Review/Annual Supplement, 1989: 9-20
- Charles Phelps & Joseph Newhouse, "Coinsurance, the Price of Time, and the Demand for Medical Services," Review of Economics and Statistics, 56 (1974) :334-342
- Willard Manning, et.al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," American Economic Review, (June 1987): 251-277 ([online](#))
- Mark Miller, "The Role of Substitutes in Policy Analysis: Acute Care Services in State Medicaid Programs," Journal of Health Politics, Policy and Law, Vol. 13, No. 3, Fall 1988, pp. 499-521
- Anderson, Gary M., Dennis Halcoussis, Linda Johnston, and Anton D. Lowenberg (2000) “Regulatory Barriers to Entry in the Healthcare Industry: The Case of Alternative Medicine,” The Quarterly Review of Economics and Finance 40: 485-502 ([online](#))
- Wennberg, John E., Elliot S. Fisher, and Jonathan S. Skinner (2002) “Geography And The Debate Over Medicare Reform,” Health Affairs 21 (2)

TOPIC D: Physicians in the Market Place & the Physician’s Market Place

- Folland et al. 4th Ed. (2003), “Chapter 15: Health Care Labor Markets and Professional Training”
- Folland et al. 4th Ed. (2003), “Chapter 10: Imperfect Information: Supplier Induced Demand and Small Area Variations”

Background Articles

- Mark V. Pauly, Doctors and their Workshops: Economic Models of Physician Behavior, University of Chicago Press for NBER, 1980.
- Uwe E. Reinhardt, "The Theory of Physician-Induced Demand: Reflections After a Decade," Journal of Health Economics, 4(1985): 187-193 ([online](#))
- Steinwald, B., and Sloan, F.A., "Determinants of Physicians' Fees," Journal of Business, 1974, 47(4):493-511
- Newhouse, Joseph, "The Economics Of Group Practice," Journal of Human Resources 8(1) (Winter 1973): 37-56
- Gaynor, Martin and Pauly, Mark V., "Compensation and Productivity Efficiency in Partnerships: Evidence from Medical Group Practice," Journal of Political Economy vol.98, No.3, (1990):544-573.
- Sloan, F.A., "Lifetime Earnings & Physicians' Choice of Specialty," Industrial and Labor Relations Review, 1970(24):47-56
- Burstein, P.L. and Cromwell, J., "Relative Incomes and Rates of Return for U.S. Physicians," Journal of Health Economics, 1985(4):63-78

Exam II

TOPIC E: The Hospital’s Role & The Hospital Market

- Folland et al. 4th Ed. (2003), “Chapter 5: The Production, Cost, and Technology of Health Care”
- Folland et al. 4th Ed. (2003), “Chapter 13: Nonprofit Firms”
- Folland et al. 4th Ed. (2003), “Chapter 14: Hospitals and Long-Term Care”

Background Articles

- Joseph Newhouse, "Towards a Theory of Nonprofit Institutions: An Economic Model of a Hospital," American Economic Review, 60 (March 1970): 64-74 ([online](#))
- Mark Pauly & Michael Redisch, "The Non-for-profit Hospital as a Physicians' Cooperative," American Economic Review, 63 (March 1973): 87-92 ([online](#))
- Barer, Morris L., "Case Mix Adjustment in Hospital Analysis," Journal of Health Economics, 1 (1982): 53-80
- Feldstein, Martin, "Hospital Cost Inflation: A Study of Non-Profit Price Dynamics," American Economic Review, LXI, No.5, (Dec. 1971), pp.853-872
- Harris, Jeffrey, "The Internal Organization of Hospitals: Some Economic Implications," The Bell Journal of Economics 8 (2) 1977: 467-482 ([online](#))

TOPIC F: The Health Insurance Market and Information

1. Demand & The Market Place
 - Folland et al. 4th Ed. (2003), "Chapter 7: Demand and Supply of Health Insurance"
 - Folland et al. 4th Ed. (2003), "Chapter 9: Asymmetric Information and Agency"
 - Folland et al. 4th Ed. (2003), "Chapter 11: The Organization of Health Insurance Markets"
2. Health Insurance, Cost Containment, Technology, and R&D.
 - Burton A. Weisbrod and Craig L. LaMay, "Mixed Signals: Public Policy And The Future Of Health Care R&D," Health Affairs, 18 (2), March/April 1999: 112-125.
 - Burton A. Weisbrod, "The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment," Journal of Economic Literature, XXIX, June 1991: 523-552.

TOPIC G: Health care markets, the role of government, competition, and social welfare

- (TBA) Folland et al. 4th Ed. (2003), ""
- TBA

TOPIC H: Cost-Benefit & Cost Effectiveness Analysis

- Folland et al. 4th Ed. (2003), "Chapter 24: The Tools of Economic Evaluation"
- Warner, Kenneth E. et al. "Cost-Benefit and Cost Effectiveness Analysis in Health Care," Medical Care, November 1980, XVIII (11): 1069-1084.
- Tolpin, Harriet G., "Overview of CBA and CEA Methods," Drug Information Journal, 22, 1988: 281-289.
- Phelps, Charles E. and Stephen T. Parente, "Priority Setting in Medical Technology and Medical Practice Assessment," Medical Care 28 (8), august 1990: 703-723.

Exam III 

Term Paper

TERM PAPER SAMPLE TOPICS:

1. The Boren Amendment
2. The Effects of the Omnibus Budget Reconciliation Act (OBRA) of 1989 on Medicaid Enrollment.
3. A History of Medicare Cost-Containment Policies.
4. A History of Medicaid Cost-Containment Policies.
5. Not-For Profit vs. For Profit Hospitals.
6. Long-Term Care Insurance: Why so Little?
7. Medicaid Managed Care: Voluntary vs. Mandatory Enrollment Programs.
8. Alternative Reimbursement Methods in Medicare.
9. Health Maintenance Organizations: Regional Differences (focus on health care costs).
10. Health Maintenance Organizations: Economies of Scale?
11. The Balanced Budget Amendment of 1997: What does it mean for Medicaid?
12. State Children Health Insurance Programs (SCHIP)
13. State policies for the uninsured
14. The Role of Technology.
15. Utilization Review
16. Managed Care Organizations
17. The Managed Care Backlash
18. Why Managed Care?
19. An economic perspective of the history (20th century) of American health care.
20. Medicare Prospective Payment Programs
21. Medicare Medicaid Dual Eligibility
22. Any other health related policy.

TERM PAPERLESS PAPER:

A. General Instructions

- a. All components must be turned in by e-mail
- b. The term paper should be approximately 8-10 pages in length (font size 12), double-spaced, with 1 ½" left and right margins.
- c. The term paper should be divided into segments, including, at the minimum, an introduction, a main section, and conclusions. Ideally, the main section should be divided into sub-sections (e.g. THEORY, EMPIRICAL FINDINGS, etc...).
- d. The introduction should **include a statement of the general form**: "This paper will discuss ... The remainder of the paper is organized as follows: section two discusses the current literature ... Section three provides a summary of ... etc..."

B. Due Dates

- **September 25 (recommended)**: E-mail your topic selection
- **October 30 (recommended)**
 1. A half page outline of the paper (describing the segments of the paper) and a preliminary abstract.
 2. A bibliography for your paper comprised of mainly (90%) refereed journal articles and books.
- **November 27 (required)**: Final term paper due date.

C. Presentation

- A brief discussion of the topic.
- What particular questions / hypotheses did you focus on?
- Why was it important to research these questions / hypotheses?
- What are the conclusions and policy implications?
- Time constraint will depend on the number of presenters
- **Attendance is mandatory!!!!**

INSTITUTIONAL POLICIES

Link to Student Handbook	http://www.sa.usf.edu/handbook/
Student Conduct	http://www.sa.usf.edu/handbook/rights/StudentCodeofConduct.htm
Academic Dishonesty	http://www.grad.usf.edu/newsite/catalog/main.asp Click on section 6 “Academic Policies”
Special Accommodations	http://www.sds.usf.edu/Students.htm http://www.sds.usf.edu/faculty.htm http://www.asasd.usf.edu/index.htm
Holidays/Religious Observances	http://www.sa.usf.edu/handbook/policies/ReligiousPracticesPolicy.htm

ADDITIONAL RESOURCES

Library Resources	‘How to Find a Journal Article’ http://itt.usf.edu/publichealth/library/tutorial/index.html USF Library Resources and Services: http://www.lib.usf.edu
Plagiarism	The University of South Florida has an account with an automated plagiarism detection service which allows instructors to submit student assignments to be checked for plagiarism. I reserve the right to 1) request that assignments be submitted to me as electronic files and 2) electronically submit assignments to Turnitin.com. Assignments are compared automatically with a huge database of journal articles, web articles, and previously submitted papers. The instructor receives a report showing exactly how a student’s paper was plagiarized. For more information, go to www.turnitin.com and http://www.ugs.usf.edu/catalogs/0304/adadap.htm#plagiarism . Tutorial on Plagiarism for Students: http://www.cte.usf.edu/plagiarism/plag.html
How to Create a Citation	http://owl.english.purdue.edu/handouts/research/r_apa.htm#General%20Format
APA Style	http://www.isr.bucknell.edu/img/assets/6535/apa.pdf http://www.apastyle.org

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28 A	29	30	31		

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4 Labor Day	5	6	7	8	9
10	11 A	12	13	14	15	16
17	18 B	19	20	21	22	23
24	25 B	26	27	28	29	30

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 C	3	4	5	6	7
8	9 D	10	11	12	13	14
15	16 D	17	18	19	20	21
22	23 D	24	25	26	27	28
29	30 Exam	31				

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6 F	7	8	9	10 Vet Day	11
12	13 G	14	15	16	17	18
19	20 H	21	22	23 Thanks	24 Day	25
26	27 H Papers	28	29	30		

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	
3	4 Papers	5	6	7	8	9
10	11 Final	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

* Exam dates are tentative

1. Exam I will be a take home and covers topic A
2. Exam II will be in class and will cover topics B, C, and D
3. Exam III will be in class and will cover topics E, F, G, and H