

PHC 6433: Health Economics II

Wisdom is to the mind what health is to the body.
- Francois De La Rochefoucauld -

Time	6:00 – 9:00pm, Mondays
Location	<TBA>
Instructor	Etienne E. Pracht
Telephone	(813) 974 – 7609
e-mail	epracht@hsc.usf.edu
Office hours	<TBA>
Textbook(s)	Folland et al., <u>The Economics of Health and Health Care</u> (4th Ed.) Prentice Hall Inc., 2001 or Feldstein, Paul J., <u>Health Care Economics, 5th Ed.</u> , Delmar Publishers, Albany, 1999.
Articles	Packet and online

Course Description & Objectives

This is the second of a two part sequence surveying applications of economic principles and methods to current issues in public health. The emphasis is on efficiency goals and the use of economic analysis in the design of such policy. Recurring themes are cost-benefit analysis (CBA, CEA, and CUA), market externalities, and market regulation. Extensive use will be made of microeconomic tools and concepts such as supply and demand, general utility functions, and market structures.

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.
6. Perform or evaluate cost-benefit/cost-effectiveness/cost-utility analyses.
7. Evaluate health care regulation (from an economic perspective).

Tests and grading:

1. Grades will be based on two exams (a midterm 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.	Midterm exam	30%
2.	Final exam	30%
3.	Short Papers	30%
4.	Presentations	10%
		100%

Grading Scale:

There are 100 possible points during the course. **The course grade will be based on the cumulative score.** A cumulative score falling 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

O u t l i n e

TOPIC I: Review of Health Economics I topics

TOPIC J: Cost-Benefit, Cost Effectiveness, and Cost Utility Analysis

1. Cost Benefit Analysis – Principles (review from health economics I)
2. Health care & Medical care costs (discussion will be based on class handout - lecture format)
3. Cost Effectiveness Analysis (discussion will be based on class handout - lecture format)
4. Cost Utility Analysis (discussion will be based on class handout - lecture format)
5. The principles of CBA: Willingness to Pay

Donaldson, C., T. Mapp, M. Ryan, and K. Curtin (1996) "Estimating the economic benefits of avoiding food-borne risk: is 'willingness to pay' feasible?" [Epidemiology and Infection](#) 116: 285-194.

6. The principles of CBA: Discounting

Hammitt, JK (1993) "Discounting Health Increments," [Journal of Health Economics](#) 12: 117-120 (Editorial)

Krahn, Murray, and Amiram Gafni (1993) "Discounting in the Economic Evaluation of Health Care Interventions," [Medical Care](#) 31 (5): 403-418

Van Der Pol, Marjon M. and John A. Cairns (1999) "Negative and Zero Time Preference for Health," [Health Economics](#) 9: 171-175

Mackeigen, Linda P., Amiram Gafni, and Bernie J. O'Brien (2003) "Double discounting of QALYs," [Health Economics](#) 12: 165-169

7. Case study: neonatal intensive care

Boyle, Michael H., George W. Torrance, John C. Sinclair, and Sargent P. Horwood (1983) "Economic Evaluation of Neonatal Intensive Care of Very-Low-Birth-Weight Infants," The New England Journal of Medicine 308 (22): 1330-1337.

Ettner, Susan L., Cindy L. Christiansen, Tamara L. Callahan, and Janet E. Hall. (1997/1998). "How Low Birth Weight and Gestational Age Contribute to Increased Inpatient Cost for Multiple Births." Inquiry 34 (Winter): 329-339.

McCormick, Marie C., Judy C. Bernbaum, John M. Eisenberg, Sharon Lee Kustra, and Emily Finnegan. (1991). "Costs Incurred by Parents of Very Low Birth Weight Infants After the Initial Neonatal Hospitalization." Pediatrics 99 (3): 533-541.

Schlesinger, E. R. (1973) "Neonatal Intensive Care: Planning for Services and Outcomes Following Care," Journal of Pediatrics 82: 916

U.S. Congress, Office of Technology Assessment (December 1987) Neonatal Intensive Care for Low Birthweight Infants: Costs and Effectiveness (Health Technology Case Study 38), OTA-HCS-38. Washington, DC.

Presentation

8. Empirical analysis using the AHCA dataset(s)

- Introduction to the AHCA Inpatient Discharge dataset
- Introduction to the AHCA Hospital Financial dataset
- Class discussion regarding:
 - i. specific hypothesis
 - ii. required data fields
 - iii. definition of effect
 - iv. potential weaknesses of analysis
- Estimation
- Student presentations

TOPIC J: Externalities

1. Overview of markets with externalities (Discussion will be based on class handout lecture format)
2. Cost benefit analysis with externalities (Discussion will be based on class handout lecture format)
3. The social cost of taxation (Discussion will be based on class handout lecture format)
4. A Case Study

Neu, Harold C. (1992) "The Crisis in Antibiotic Resistance," Science 257 (5073): 1064-1073 (**technical article – not required**)

Phelps, Charles E. (1989) "Bug/Drug Resistance: Sometimes Less is More," Medical Care 27 (2): 194-203

Coast, Joanna, Richard Smith, Anne-Marie Karcher, Paula Wilton, and Michael Millar (2002) "Super Bugs II: How should economic evaluation be conducted for interventions which aim to contain antimicrobial resistance?" [Health Economics](#) 11: 637-647

Elbasha, Elamin H. (2003) "Deadweight loss of bacterial resistance due to over treatment," [Health Economics](#) 12: 125-138

Presentation

5. Empirical analysis using the AHCA dataset(s)
 - Class discussion regarding:
 - i. specific hypothesis
 - ii. required data fields
 - iii. definition of effect
 - iv. potential weaknesses of analysis
 - Descriptive analysis with focus on incidence
 - Student presentations

TOPIC K: Legal Issues and Regulation

Feldstein 5th Ed. (1999), "Chapter 17. The Legislative Marketplace."

Folland et al. 3th Ed. (2001), "Chapter 20: Government Intervention in Health Care Markets"

Folland et al. 3th Ed. (2001), "Chapter 21: Government Regulation – Principal Regulatory Mechanisms"

1. Overview of concepts (discussion will be based on class handout lecture format)
2. Special topic: Medical Malpractice

Danzon, Patricia M. (2000) "Liability Reform: Traditional and Radical Alternatives," in Roger D. Feldman (editor) [American Healthcare](#), Transaction Publishers, New Brunswick: 385-414

Olsen, Neil R. (1996) "The Reform of Medical Malpractice Law: Historical Perspectives." [American Journal of Economics and Sociology](#) 55 (3): 257-275

Thorton, James (1999) "The impact of medical malpractice insurance cost on physician behavior: the role of income and tort signal effects," [Applied Economics](#) 31: 779-794.

Quinn, Robert (1998) "Medical Malpractice Insurance: The Reputation Effect and Defensive Medicine," [The Journal of Risk and Insurance](#) 65 (3): 467-484.

Yoon, Albert (2001) "Damage Caps and Civil Litigation: An Empirical Study of Medical Malpractice Litigation in the South," [American Law and Economics Review](#) 3 (2) 199-227

Dubay, Lisa, Robert Kaestner, and Timothy Waidmann (2001) "Medical malpractice liability and its effect on prenatal care utilization and infant health," [Journal of Health Economics](#) 20: 591-611

Presentation

3. Literature Search

- Class discussion – selection of topics:
- Student presentations

TOPIC K: The Pharmaceutical Industry

1. Overview and special topics (discussion will be based on class handout (lecture format))

Background reading

Telser, Lester et al. (1975) "The theory of supply with applications to the ethical pharmaceutical industry," [Journal of Law and Economics](#) 18: 449-478

Demasi, et al. (1991) "Cost of innovation in the pharmaceutical industry," [Journal of Health Economics](#) 10: 107-142

Dranove, David (1991) "The cost of compliance with the 1962 FDA amendments," [Journal of Health Economics](#) 10: 235-238

Frank, Richard G. and David Salkever (1992) "Pricing, patent loss, and the Market for pharmaceuticals," [Southern Economic Journal](#) 59: 165-179

Comanor, William S. (1986) "The political economy of the pharmaceutical industry,," [Journal of Economic Literature](#) 24: 1178-1217

Presentation

2. Literature Search

- Class discussion – selection of topics:
- Student presentations

Short Paper

Short papers will be due after each topic; three of these short papers will be based on empirical data analysis (see topics).

A. General Instructions

- Each short paper should be approximately 2 text-pages in length (font size 12), double-spaced, with 1 1/2" left and right margins. Charts and tables should be separate and attached to the end of the paper.
- The papers should be concise and focused with the following sections: Objective, Data, Methods, Findings, Discussion.

DUE DATES

- One week following assignment

PRESENTATION

- o A brief discussion of the topic.
- o What particular questions / hypotheses did you focus on?
- o Why was it important to research these questions / hypotheses?
- o What were the findings and conclusions?



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

January

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

February

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

March

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

April

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

May

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	29	30	31		