

# Economics 138A: Health Economics

Fall 2002

Instructor: Jean Shelton

Office Hours: MWF 12:00-12:45

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## Purpose of the Course

This course will help students develop a better understanding of health economics. It will use the microeconomic tools that you have learned in previous courses to explain the health care sector of our economy. The economics of health care, however, is markedly different from traditional free market economics. These differences include, but are not limited to, the importance of uncertainty, government regulations, insurance, externalities, and asymmetric information. The course will analyze how the unique differences of the health care market help explain health care demand and supply in the U.S. economy. We will also examine the roll of insurance in health economics in the U.S. The emphasis throughout the course will be on using economic logic to study the allocation of health care. The course will also discuss available empirical evidence on health economics.

## Textbook

*The Economics of Health and Health Care* by Folland, Goodman, and Stano. Third Edition, 2001.

## Teaching Assistants

The names and office hours of the TAs will be announced during the first or second week of class. It will be the TA's responsibility to grade homework assignments and exams. All questions concerning grading should be addressed to the TAs.



## No Class

November 11 and November 27.

## Exams and Grading

There will be two midterms and a cumulative final.

Midterm 1	20%	Wednesday, October 16th
Midterm 2	30%	Friday, November 15th
Final	50%	Consult your calendar

The midterms and the final will consist of problems requiring short essays and short mathematical analysis. Calculators are allowed, but students are not allowed to share calculators.

Given the large size of the class, there will be no make-up midterm exams. If you miss a midterm due to illness, you will be excused if, and only if, you obtain a note from your doctor. Exams missed due to athletic events in which you are a participant will be excused if, and only if, you obtain a note from your coach and you have discussed the absence with the instructor prior to the midterm. In either case, the missed percentage from the midterm will be added to the final exam.

Practice problems will be posted on the class web page. Students are strongly recommended to attempt the practice problems. These problems will be similar in context and difficulty to those found on the tests. Answers will be posted to the problems two to five days after the problems are posted.

## Readings

Unless told otherwise, you should read all appendix, footnotes, and extension boxes. You should also review all of the discussion questions at the end of the chapters. During the introduction, chapter 1 will be discussed in class, chapters 2-4 will not be discussed. The information in chapters 2-4 will be used in the following chapters. Students should review chapters 2-4 to insure that they are comfortable with the material. Students should pay extra attention to the information in chapter 2 to insure that they are comfortable with microeconomic analysis. Students are responsible for all the material discussed in class and all of the material assigned in readings. Some of the material discussed in class will not be contained in the readings, class attendance is strongly advised.



## READINGS

### Introduction

Introduction

Ch 1

Only chapter 1 from the introduction will be discussed in class. During the introduction phase there will be information and statistics presented that will not be available in the book. Students will be held responsible for this information.

Micro Economic Tools for Health Economics

Ch 2

Statistical Tools for Health Economics

Ch 3

Cost-Benefit Analysis

Ch 4

### Demand and Supply

The Production of Health

Ch 5

Demand and Supply of Health Insurance

Ch 7

Consumer Choice and Demand

Ch 8

### Information and Health Care

Asymmetric Information and Agency

Ch 9

Imperfect Information: Supplier Induced Demand

Ch 10

### Insurance

The Organization of Health Insurance Markets

Ch 11

Managed Care

Ch 12

### Technology

The production and Cost of Health Care

Ch 13

Technology

Ch 14