

ECONOMICS 140: ECONOMICS OF HEALTH PRODUCERS (#628497)

Fall 2008, Center Hall 113, T-TH 11:00-12:30

Instructor: Dr. Melissa Famulari

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Prerequisites: Econ 2 OR 100A

Assessment: There are two inclass midterm exams, **Tuesday, October 21 and Tuesday, November 18th**, each of which is worth 25% of your grade. The final exam is cumulative and is worth 50% of your grade. **The final is Wednesday, December 10 from 11:30-2:30 pm**

Course Objectives: This course applies microeconomic theory to the health care market with a particular focus on the producers in the health care sector (physicians, nurses, hospitals, nursing homes, pharmaceutical firms, and researchers). We will examine current government policies, and proposed reforms of government policies, that effect health producers. Note: Econ 141 will focus on health consumers and examine the demand for medical care, demand for health insurance, reasons for employer-provision of private sector health insurance and how this impacts the labor market, the interaction between health and labor supply, etc. as well as cross country comparisons.

Course Materials

Text: There is a course reader available at A.S. Soft Reserves

<http://softreserves.ucsd.edu/index.php>

Additional Readings: Additional required reading are listed below and are available on Web CT.

Web CT: This is where you access the syllabus, class handouts, additional readings, your grades, a discussion board, etc

Administrative Issues:

- (1) UCSD now has automated waitlists. If you have any questions regarding this procedure, you can contact the undergraduate advisors in Sequoyah Hall 245 or refer to Triton Link <https://tritonlink.ucsd.edu/portal/site/tritonlink-preview/menuitem.b4448692267a11256ec5e210514b01ca?storyID=17736%20>
- (2) Exams are closed book: you may not use any notes, electronic devices, books or consult other classmates. If you believe an exam has not been graded properly, you may ask for a re-grade. I will grade your entire exam. The re-graded score will be your grade for the

exam. You may not ask for another re-grade or go back to your first grade.

- (3) Any student found guilty of academic dishonesty will earn a failing grade for the course. In addition to the academic sanction that I impose, the Council of Deans of Student Affairs will impose a disciplinary penalty. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.
- (4) If you have a documented disability, please bring your documentation and come to talk to me as soon as possible so that I can make suitable accommodations for you. If you believe that you may have a disability and will desire accommodation, please register with the Office for Students with Disabilities, Building 202 University Center as soon as possible. For information on the steps for academic accommodation, please see <http://www-senate.ucsd.edu/manual/appendices/app3.htm>.

Readings marked with an ® are in the course reader. Other readings are available on WebCT

Class 1: 9/25

Why have a course devoted to the analysis of one market – the health market?

® Shirley Johnson-Lans, “The Subject Matter of Health” Chapter 1 from *A Health Economics Primer*, 2005, Addison-Wesley, pages 3-18

® Charles E. Phelps, “Why Health Economics?” Chapter 1 from *Health Economics*, (3RD Ed.), 2002, Addison-Wesley, pages 1-25

The Market for Transplant Organs.

Gary Becker, “How Uncle Sam Could Ease the Organ Shortage” *Business Week*, Jan 20, 1997.

Start U.S. Health Care System: Institutional Details, Empirical Regularities, and Current Policy Debates

**Week 1:
9/30**

U.S. Health Care System: Institutional Details, Empirical Regularities, and Current Policy Debates (Continued)

® Shirley Johnson-Lans, “Social Insurance in the United States: Medicare and Medicaid” Chapter 5 from *A Health Economics Primer*, 2005, Addison-Wesley, pages 89-107.

10/2

Physician Supply

- 1. Decision to become a Physician: Costs and Benefits,**
- 2. Physician Licensure: Quality Control or Monopoly Rents? and**
- 3. Asymmetric Information: Supplier Induced Demand?**

® Charles E. Phelps, “Physicians in the Market Place” Chapter 7 from *Health Economics*, (3RD Ed.), 2002, Addison-Wesley, pages 209-249.

® James W Henderson, “Market for Health Care Professionals” Chapter 8 from *Health Economics and Policy*, 3rd Ed., 2005, Thomson/South-Western, pages 199-219

Gruber, Jonathan and Maria Owings, “Physician Financial Incentives and Cesarean Section Delivery,” *RAND Journal of Economics* (Spring, 1996)

Week 2: 10/7-10/9

Medical Malpractice and Physician's Decisions about Quality of Care

® James W Henderson, "The Legal System and Medical Malpractice"
Chapter 12 from *Health Economics and Policy*, 3rd Ed., 2005,
Thomson/South-Western, pages 292-311

® Paul C. Weiler et al., "The Epidemiology of Medical Injury" Chapter 3
from *A Measure of Malpractice : Medical Injury, Malpractice Litigation,
and Patient Compensation*, Harvard University Press, 1993, pages 33-59.

Becker, Gary S. "How to Put the Right Cap on Punitive Damages" *Business
Week* , New York: September 15, 2003.

Brennan, Troyen A., Colin M. Sox, Helen R. Burstin, "Relation between
Negligent Adverse Events and the Outcomes of Medical-Malpractice
Litigation" *New England Journal of Medicine*, 1996; 335:p. 1963-7.

White, Michelle J., "The Value of Liability in Medical Malpractice" *Health
Affairs*, Fall, 1994.

McGlynn EA, Asch SM, Adams J, et. al., "The Quality of Health Care
Delivered to Adults in the United States." *New England Journal of Medicine*,
2003, 348: p. 2635-45.

Week 3: 10/14-10/16

Market for Nurses

® James W Henderson, "Market for Health Care Professionals" Chapter 8
from *Health Economics and Policy*, 3rd Ed., 2005, Thomson/South-Western,
pages 219-225

Hirsch, Barry T. and Edward J. Schumacher, "Classic or New Monopsony?
Searching for Evidence in Nursing Labor Markets," *Journal of Health
Economics*, July 2005

Week 4: 10/21-10/23 MIDTERM 1, Tuesday, October 21

The Pharmaceutical Industry

® Sherman Folland, Allen C. Goodman, Miron Stano, "The Pharmaceutical
Industry," Chapter 17 from *Economics of Health and Health Care*, 5th ed.
2004, pages 358-380.

Week 5: 10/28-10/30

The Pharmaceutical Industry (continued)

1. R&D and Incentives to Innovate

Weisbrod, Burton A., "Solving the Drug Dilemma" *Washington Post*,
Op.Ed., August 22, 2003, A21

2. The FDA and Drug Safety and Efficacy

Becker, Gary S. "New Drugs Cut Costs and Medicare Can Help" *Business
Week* , New York: March 22, 2004.

Becker, Gary S. "Get the FDA Out of the Way, and Drug Prices Will Drop"

Business Week, New York: September 16, 2002.

3. Vaccines

Barder, Owen, Michael Kremer, and Heidi Williams, "Advance Market Commitments: A Policy to Stimulate Investment in Vaccines for Neglected Diseases" *Economists' Voice*, *Economists' Voice*, www.bepress.com/ev, February, 2006

Finkelstein, Amy, "Static and Dynamic Effects of Health Policy: Evidence from the Vaccine Industry" 2004, *Quarterly Journal of Economics* 119 (2): 527-564

Week 6: 11/4-11/6

Managed Care

® Sherman Folland, Allen C. Goodman, Miron Stano, "Managed Care," Chapter 12 from *Economics of Health and Health Care*, 5th ed. 2004, pages 241-268.

Manning, Willard G. et. al, "A Controlled Trial of the Effect of a Prepaid Group Practice on the Use of Services" *New England Journal of Medicine*, June 7, 1984.

Week 7: 11/11-11/13

Hospitals

No Class Tuesday, Veterans Day

® Rexford E Santerre; Stephen P Neun, "The Hospital Services Industry" Chapter 13 from *Health Economics : Theories, Insights, and Industry Studies*, 4th Ed., Thomson/South-Western, 2007, pages 379-427

Week 8: 11/18-11/20

Midterm 2, Tuesday, November 18

Relationship between Medical Care and Health

Cutler, David, Angus Deaton, and Adriana Lleras-Muney, (2006) "Determinants of Mortality" *Journal of Economic Perspectives*, Vol. 20, No.3 p. 97-120.

Week 9: 11/25-11/27

Accounting for the Rise in Medical Care Costs

Newhouse, Joseph P., "Rising Medical Care Costs: How Much Welfare Loss?" *Journal of Economic Perspectives*, Vol. 6 (3), 1992, pp. 3-21.

Cutler, David and Mark McClellan, (2001) "Is Technological Change Worth it?" *Health Affairs*, Vol. 20, No. 5, p. 11-29.

No Class Thursday, Thanksgiving Holiday

Week 10: 12/2-12/4

Reducing the Costs of Medical Care

Hillestad, Richard, James Bigelow, Anthony Bower, et al., "Can Electronic Medical Record Systems Transform Health Care? Potential Health Benefits, Savings, and Costs," *Health Affairs*, 2005, Volume 24, No. 2, 1103-1117

Final Exam: December 10, 11:30-2:30pm