ECONOMICS 140: ECONOMICS OF HEALTH PRODUCERS

Fall 2012, Center Hall 216, T-TH 12:30-2:00

Instructor: Dr. Melissa Famulari Office: Econ 221

Office Hours: T: 2:00-3:00

TH: 2:00-4:00

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Teaching Assistants

(1) Ben Miller Office: Sequoyah Hall 245

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Regular Office Hour: Friday 11:30 AM - 12:30 PM

Extra Office Hours: Thursday 10/18 11:30 AM - 12:30 PM

Tuesday 10/23 11:30 AM - 12:30 PM Tuesday 11/13 11:30 AM - 12:30 PM Thursday 11/15 11:30 AM - 12:30 PM Tuesday 12/4 11:30 AM - 12:30 PM Thursday 12/6 11:30 AM - 12:30 PM

(2) Matthew Niedzwiecki Office: Econ 123

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Regular Office Hour: Mon 1-2pm except 10/22

(rescheduled to Friday 10/19, 9-10am)

Extra Office Hours: Tuesday, 10/23, 9am-11am

Wednesday, 11/14, 2-4pm Friday, 12/7 1-3pm

Prerequisites: Econ 2 OR 100B

Course Objectives: This course applies microeconomic theory to the health care market with a particular focus on the providers in the health care sector (physicians, nurses, hospitals, pharmaceutical firms, and health insurers). We will examine where markets work efficiently and where it may be possible for government intervention to improve efficiency. We will use microeconomic models to predict how proposals to reform the market for health care will affect the incentives of health care providers and outcomes in health care markets. Where possible, we will examine the empirical research that tests the predictions from economic models.

Note: Econ 141 focuses on the consumer side of the health market: the demand for health and medical care, the demand for health insurance, proposals to address the uninsured, employer provision of health insurance and the effects on worker wages and decision to work, and international comparisons of health systems.

After passing this class you will be able to:

- 1. Apply microeconomics to the study of the suppliers in healthcare markets.
- 2. Analyze current proposals for reforming healthcare system in the U.S. from an economic perspective and have a prediction about what each policy will accomplish based on evidence from economics research.

Assessment: There are a total of 1,000 points in this class: 4 in-class reading quizzes worth 12.5 points each (50 points total), two in-class midterm exams worth 250 points each (500 points total) in **Tuesday, October 23 and Thursday, November 15**, and a cumulative final exam that is worth 450 points. **The final exam is Friday, December 14 from 11:30-2:30 pm**

Course Materials

Required Textbook: Frank A. Sloan and Chee-Ruey Hsieh "Health Economics" Publisher: MIT Press, 2012. (\$75 on the publisher's web page)

TED: This is where you access the reading quizzes, the syllabus, additional required articles, problems sets, your grades, a discussion board, etc.

Problem Sets: Posted on Friday and solutions available on TED the following Friday.

Reading Quizzes: There will be five in-class quizzes on the readings (textbook and the starred papers) and four will count towards your grade.

Administrative Issues:

- (1) 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 regrade. I will re-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.
- (2) Any student found responsible for violating academic integrity 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.
- (3) 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

Class 1: 9/27 Why devote a whole course to the analysis of one market – the health market?

Textbook Chpt. 1: Introduction and Overview

The Market for Transplant Organs.

Becker, Gary and Julio Elias, "Introducing Incentives in the Market for Live and Cadaveric Organs," *Journal of Economic Perspectives*, Vol 21. No. 3, Summer 2007, p. 3-24.

Week 1: 10/2

1A. U.S. Health Care System: Institutional Details, Empirical Regularities, and Current Policy Debates. Patient Protection and Affordable Care Act of 2010 (Obamacare).

*The Economic Case for Health Reform. Council of Economic Advisors, June 2009. Focus on pages 1-20.

*Goldhill, D. (2009). "How American Health Care Killed my Father." The Atlantic

Week 2: 10/9

2A. Physician's Long Run Supply Decisions: Whether to become a physician, decision on specialization, decision on where to locate (Textbook Chpt 5 through 5.2)

*Chen, Keith and Judith A. Chevalier (2012) "Are Women Overinvesting in Education? Evidence from the Medical Profession" Journal of Human Capital, Vol. 6, No. 2, pp. 124-149. Focus on introduction and conclusions (sections I and IX) and tables 2, 3 and 7.

2B: Physician's Short Run Supply Decisions: price to charge and quantity of output to produce. (Textbook Chpt 5, 5.3 to end). Quality will be discussed in week 4.

*Gruber, Jonathan and Maria Owings, "Physician Financial Incentives and Cesarean Section Delivery," *RAND Journal of Economics* (Spring, 1996). Focus on sections 1, 2, and 7 and Figures 2, 3, and 4.

Week 3: 10/16

Chapter 6: Hospitals

*Antwi, Yaa Akosa & Martin S. Gaynor & William B. Vogt, (2009). "A Bargain at Twice the Price? California Hospital Prices in the New Millennium," *Forum for Health Economics & Policy*, Berkeley Electronic Press, vol. 12(1)

*On Top of Tax Breaks, Nonprofit Hospitals Earn Big Profits. Wall Street Journal (4/4/2008)

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

Chapter 7: Quality of Care and Medical Malpractice

*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.

Medical Malpractice

*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.

Currie, Janet and Bentley MacLeod (2008), "First Do No Harm? Tort Reform and Birth Outcomes," *Quarterly Journal of Economics*, Vol. 123, No. 2, p. 795-830.

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

Providing information about Quality to Consumers: Medical Report Cards

*Dranove, David, Daniel Kessler, Mark McClellan, and Mark Satterthwaite, "Is more Information Better? The Effects of Report Cards on Health Care Providers," *Journal of Political Economy*, 2003, Vol. 111, No. 3: p. 555-588.

Pav for Performance

Mullen, Kathleen J., Richard G. Frank and Meredith B. Rosenthal (2010). "Can you get what you pay for? Pay-for-performance and the quality of healthcare providers," RAND Journal of Economics, RAND Corporation, vol. 41(1), pages 64-91.

Week 5: 10/30 Chapter 8 Nurses

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

Staiger, Douglas O., Joanne Spetz, and Ciaran S. Phibbs, "Is There Monopsony in the Labor Market? Evidence from a Natural Experiment," *Journal of Labor Economics*, Vol. 28, No. 2.

*Mark, B., D.F. Harless, and J Spetz (2009) "California's Minimum Nurse Staffing Legislation and Nurse Wages" *Health Affairs* 28: W326-W-334.

Week 6: 11/6 Chapter 9: The Pharmaceutical Industry

A. R&D and Incentives to Innovate

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

*Kremer, M. (2002). "Pharmaceuticals and the Developing World," *Journal of Economics Perspectives* 16, p19-33.

B. 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.

C. 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

Berndt, E.R., R. Glennerster, M.R. Kremer, J. Lee, R. Levine, G. Weizäcker, and H. Williams, "Advance Market Commitments for Vaccines Against Neglected Diseases: Estimating Costs and Effectiveness," *Health Economics*. 16: 2007, pp. 491-511.

Week 7: 11/13 Midterm 2, Thursday, November 15 Chapter 10 Supply of Private Health Insurance

Week 8: 11/20 No Class Thursday, Thanksgiving Holiday Chapter 10 Supply of Private Health Insurance (continued)

*Aizer, Anna, Janet Currie, and Enrico Moretti (2007), "Does Managed Care Hurt Health? Evidence from Medicaid Mothers." Review of Economics and Statistics, 89(3): 385–399.

Week 9: 11/27

Chapters 14 and 15: Cost Effectiveness and Cost Benefit Analysis

Week 10: 12/4 National Health Reform (PPACA), Massachusetts' Experience with Health Reform, and an Alternative Reform Proposal

*Does Massachusetts' Health Care Reform Point to Success with National Reform? Journal of Policy Analysis and Management, Vol. 30, No. 1, 177–195 (2011). A point-counter –point article by Jon Gruber and Douglas Holtz-Eakin.

*Capretta, James C. and Robert Moffit, (2012) "How to Replace Obamacare" National Affairs.

Final Exam: Friday, December 14, 11:30-2:30pm