

Economics 141: Economics of Health Consumers
Summer Session II 2012
MTWR 2:00-3:20pm, Solis 111 (No class Labor Day 9/3/12)

Professor:	Matthew J. Niedzwiecki (mniedzwi@ucsd.edu)	Office: Economics Building 123 Office Hours: Mon-Thurs, 330-5pm (by appointment)
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Welcome to Ec 141!

It's an exciting time to be studying health economics! If you've been following the news at all for the past four years, you know that health care reform is at the forefront of policy debate in the United States. We currently spend a huge share of our GDP (17% in 2011) on health care, and it's growing rapidly, putting immense pressure on government and personal budgets. While health care in the United States excels in some areas, we lag behind the rest of the world in others; all while spending many times more per capita than any other country. Where do market forces and government interventions work and where do they fail? This course will examine the health care sector and health policy from an economic perspective. The focus of this course will be on the consumer side of the health market: the demand for health and medical care (when there are both time and money costs), the demand for health insurance, proposals to address the uninsured, employer provision of health insurance and the effects on worker wages, estimating the value of a life and the value of health improvements, international comparisons of health systems and health reform in the U.S.

Note: Ec 140 focuses on the suppliers of medical care (physician, nurses, hospitals, medical malpractice, medical errors and the quality of care, and the pharmaceutical industry).

After taking this class you will be able to:

1. Analyze the consumption side healthcare markets from – where do markets work efficiently and where can government intervention improve efficiency.
2. Compare international healthcare systems and to describe in detail efficiency and equity trade-offs in each system.
3. Analyze current proposals for reforming healthcare system in the U.S. from an economic perspective and state what each policy will accomplish based on evidence from research.

These skills (along with data analysis skills from the 120 series) are vital to succeed in economic consulting or graduate school. It's a competitive out there and doing well in coursework and getting good recommendations is crucial to landing a great job in your field or getting accepted into a good graduate school. This is a small class, I will get to know you very well!

Prerequisites: Econ 100C

Required Course Materials:

1. iclicker (required) – available for \$40 in the bookstore. These are becoming more popular at UCSD so you may already have one or will need one for a future class. You can also resell it for \$20 to the bookstore. It is absolutely required that each student have his or her own clicker each class in order to earn participation points.

There is NO TEXTBOOK REQUIRED for this class (not worth it, quickly becomes out of date), so all the reading/viewing material will come from journal articles which you will find online, photocopied sections of text, and short online videos. You will have to access the journal articles online yourself (I'll show you how), but the photocopied text and videos will all be available on TED. There are additional recommended books in the book store, but these are only if you have the time and desire to read more than is assigned – you are only

responsible for the readings specifically stated in the syllabus and the material covered in lecture.

Ted

I will post announcements, materials, schedule changes, discussion board. Feel free to post short questions to the board – your fellow classmates might have the solution, and TA and I will check regularly and try to answer in a timely manner. Longer questions and those that require lots of math/graphs are much better asked in person during office hours or review sessions.

Assessment

1. Final: 50% (Friday, 9/07/12, 3:00-6:00pm, location TBA)
2. Midterm: 25% (Thursday of week 3, 8/23/12, in class)
3. Homework Assignments (3): 15%. Grade will be based on completeness and effort, not correctness.
4. Online Reading Quizzes: 5% . Grade based on correct answers to multiple choice questions, based on that night's reading. If you do the assigned reading, these will be easy! Due by the beginning of class the following day. Scores from lowest two nights scores are dropped.
5. Participation: 5%. These will be multiple choice questions in class to check your understanding of material. Not graded on correctness, just participation. Scores from lowest two days are dropped.

Administrative Issues

1. Exams are closed book, closed notes, no calculators. Please do all of your thinking/sketching on the provided sheets, but your answer write in pen on the answer key in the space provided. Include only the necessary calculations and explanation, nothing more. Please label all diagrams clearly (including axes) The burden is on you to provide a clear, concise, and correct answer, neatly written. The burden is not on your TA to sift through a mess of words/numbers/lines to find something that resembles a correct answer. If a correct answer is hidden, the grader may miss it and give you fewer points than you deserve, forcing you to deal with a regrade request down the line.
2. You must be present for the final exam. If you must be absent for the midterm for a university approved reason, contact me immediately. The weight of your midterm will be applied to the final.
3. Any student found guilty of academic dishonesty will receive a F in this course and be referred to the Council of Deans of Student Affairs further disciplinary action, which could result in suspension or expulsion from the university. Examples of academic dishonesty include, but are not limited to: copying another student's work on an exam or homework assignment. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.
4. Regrades: Please submit a regrade request within 7 days of when the assignment was first returned to students which includes: (1) the assignment that was graded incorrectly, and (2) the reason why your answer is right. The entire question will be regraded and your score could go up, down, or stay the same. Grading mistakes are infrequent, but they do happen.
5. If you have a documented disability, bring your documentation 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 as soon as possible. For information on the steps for academic accommodation, please see <http://www-senate.ucsd.edu/manual/appendices/app3.htm>.
6. Homework is due at the beginning of class on the date assigned, unless otherwise noted. Please use the answer sheets provided with all necessary work on the answer sheet (you can include scratch work if you like, but it's not necessary). Initial each page beyond the first and staple the pages together

Reading Assignments (read BEFORE the class listed)

- starred readings on Ted
- page numbers refer to those written in the document, e.g. 134-152, not the number of the pdf, e.g. 1-29
- FGS text = Folland, Goodman, & Stano “Economics of Health and Health Care” 6th Edition

Week 1

Tues. 8/7 – Health Production [1]

1. *David Cutler, Angus Deaton, and Adrianna Lleras-Muney. “Determinants of Mortality.” National Bureau of Economic Research, 2006. [pp. 1-16, 24-50]
2. *FGS Ch. 7 “Demand for Health Capital” [scanned pages]

Wed. 8/8 – Health Production [2]

1. Adrianna Lleras-Muney. “The Relationship Between Education and Adult Mortality in the United States.” Review of Economic Studies, 2005. [pp. 189-192]
2. Douglas Almond and Janet Currie. “Killing Me Softly: Fetal Origins Hypothesis.” Journal of Economic Perspectives, 2011. [pp. 153-168]
3. Angus Deaton. “Policy Implications of the Gradient of Health and Wealth.” Health Affairs, 2002. [pp. 13-28]

Thurs. 8/9 – Health Insurance

1. *FGS Ch. 8 “Demand and Supply of Health Insurance” [scanned pages]

Week 2

Mon. 8/13 – Moral Hazard [1]

1. Mark Pauly. “The Economics of Moral Hazard: Comment.” American Economic Review, 1968 [pp. 531-537]
2. Willard Manning et al. “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment.” American Economic Review, 1987. [pp. 251-273]

Tues. 8/14 – Moral Hazard [2]

1. Amy Finkelstein et al. “The Oregon Health Insurance Experiment: Evidence from the First Year.” National Bureau of Economic Research, 2011. [pp. 1-56]

Wed. 8/15 – Adverse Selection [1]

1. Liran Einav and Amy Finkelstein. “Adverse Selection in Pictures.” Journal of Economic Perspectives, 2011. [pp. 115-137]

Thurs. 8/16 – Adverse Selection [2]

1. Michael Rothschild and Joseph Stiglitz. “Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information.” Quarterly Journal of Economics, 1976. [pp. 629-648]

Week 3

Mon. 8/20 – Valuing Life and Cost-Benefit Analysis

1. *Glenn Blomquist. “Economics of Value of Life.” International Encyclopedia of Social and Behavioral Sciences, forthcoming. [pp. 1-22]

Tues. 8/21 – United States Health Care System: Tax Treatment of Employer Sponsored Insurance

1. Kaiser Family Foundation. “Private Health Insurance: A Primer.” 2008. [pp. 1-8]
2. Kaiser Family Foundation. “The Uninsured: A Primer.” 2011. [pp.1-18]
3. Mark Pauly. “Taxation, Health Insurance, and Market Failure in the Medical Economy.” Journal of

Economic Literature, 1986. [pp. 629-632]

Wed. 8/22 – United States Health Care System: Labor Market Effects

1. Jonathan Gruber and Brigitte Madrian. “Health Insurance, Labor Supply, and Mobility: Critical Review of the Literature.” National Bureau of Economic Research, 2002. [pp. 1-35]

Thurs. 8/23 – MIDTERM (through material for Mon. 8/20 only)

Week 4

Mon. 8/27 – Public Health Insurance: Medicaid

1. Kaiser Family Foundation. “Medicaid: A Primer.” 2010. [pp.1-13]
2. Kaiser Family Foundation. “Uninsured: A Primer.” 2011. [pp.19-21]
3. David Cutler and Jonathan Gruber. “Does Public Insurance Crowd-Out Private Insurance?” Quarterly Journal of Economics, 1996. [pp.391-397]

Tues. 8/28 – Public Health Insurance: Medicare

1. Kaiser Family Foundation “Medicare: A Primer.” 2010. [pp.1-20]

Wed. 8/29 – United States Health Care Market Regulations

1. Kaiser Family Foundation. “Private Health Insurance: A Primer.” 2010. [pp. 8-21]
2. Neale Mahoney. “Bankruptcy as Implicit Insurance.” National Bureau of Economic Research, 2012. [pp. 1-6, 27-31]
3. Lawrence Summers. “Some Simple Economics of Mandated Benefits.” American Economic Review, 2001. [pp.177-182]

Thurs. 8/30 – Cross-National Comparisons

1. Gerard Anderson and David Squires. “Measuring the U.S. Health Care System: A Cross-National Comparison.” The Commonwealth Fund, 2010. [pp.1-8]
2. Alan Garber and Jonathan Skinner. “Is American Health Care Uniquely Inefficient?” Journal of Economic Perspectives, 2008. [pp.27-47]

Week 5

Mon. 9/3 – NO CLASS – LABOR DAY

Tues. 9/4 – Health Care Reform: Massachusetts and National Reforms

1. Kaiser Family Foundation. “Massachusetts Health Care Reform: Six Years Later.” 2012. [pp. 1-9]
2. Kaiser Family Foundation. “Consumer’s Guide to Health Reform.”
<http://www.kaiserhealthnews.org/stories/2012/march/22/consumer-guide-health-law.aspx>
3. Kaiser Video (TED)

Wed. 9/5 – Alternative Health Care Reform Proposals

1. James Capretta and Robert Moffit. “Replacing Obamacare.” National Affairs, 2012. [pp.1-21]
2. “Purple” Health Reform <http://thepurplehealthplan.org/node/2>

Thurs. 9/6 – NO READING, in-class final review