

ECONOMICS 138A: ECONOMICS OF HEALTH, Part 1 (#550117)

Winter 2006, PCYNH 109, T-TH 12:30-1:50

Instructor: Dr. Melissa Famulari

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Teaching Assistants:

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Office Hours: W 9:00-12:00

Prerequisites: Econ 3.

Assessment: There will be two midterm exams each worth 25% of your grade. The final exam is cumulative and is worth 50% of your grade.

Course Objectives: This course will examine the health care sector and health policy issues from an economic perspective. We will consider the economic implications of some important institutional features of the U S medical systems. The focus of this course will be on the consumer side of the health market: the demand for medical care, the health insurance market, the interaction between health and labor supply, etc. Note: 138B will focus on the supply of medical care (physician behavior, hospitals, malpractice, the pharmaceutical industry) and cross country comparisons

Course Materials

Text: Herman Folland, Allen C. Goodman, and Miron Stano, *The Economics of Health and Healthcare*, 4th ed. (Upper Saddle River, N.J.: Pearson Education, Inc., 2004). The book is available at the bookstore and 2 copies are placed on reserve at the Geisel Library.

Additional Readings: Additional required reading are listed below and are available on the course website.

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

Administrative Issues:

- (1) The Economics department office handles all matters related to dropping or adding the course, waitlists, etc. Please contact the undergraduate advisors in Sequoyah Hall 245 regarding these issues.
- (2) Exams are closed book: you may not use any notes, electronic devices, books or consult other classmates. If you have any doubts about what constitutes academic dishonesty, please review UCSD policy at <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.
- (3) If there is a mistake adding up the points on your exam, bring it to my attention and I will correct it immediately.

- (4) If you believe an exam has not been graded properly, you may submit the test for a re-grade: you must submit midterm exams to me 4 days after the exam is returned (usually one week after the exam is given) and you must submit the final exam to me by the first week of the next quarter. I will then 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.
- (5) 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>.

WEEK 1: 1/10 Introduction, Review of Micro Theory, The Market for Transplant Organs.
FGS, Chapter 1 and 2

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

Big issues in Health Care and Institutional Details on U.S. Health Care

Week 2: 1/17 Demand for Medical Care
FGS, Chapter 6 and 8

Manning, Willard, et. al, "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment", *American Economic Review*, June 1987, 251-277.

**Week 3: 1/24 Assymmetric Information in the Demand for Health:
Supplier Induced Demand?**

FGS, pages 195-201 & Chpt 10

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

Week 4: 1/31 Midterm 1: Tuesday, January 31

Uncertainty/Risk and Insurance
FGS, Chapter 7 & pgs 187-195.

**Week 5: 2/7 Assymmetric Information in Health Insurance Market:
Adverse Selection**
FGS Chapter 9

Week 6: 2/14 Organization of Health Insurance Markets
FGS Chapter 11

Levy, Helen and Thomas DeLeire, "What do People Buy When They Don't Buy

Health Insurance and What Does it Say about Why They are Uninsured? Harris
Graduate School of Public Policy Studies, University of Chicago, April 30, 2003.

Week 7: 2/21 **Midterm 2: Tuesday, February 21**

Employer Provision of Health Insurance: Wage Effects

FGS, pg 228-236

Krueger, Alan B. and Uwe E. Reinhardt, "The Economics of Employer versus Individual Mandates," *Health Affairs*, Spring II, 1994, pp. 34-53.

Week 8: 2/28 **Employer Provision of Health Insurance: Mobility and Employment.**

Madrian, Brigitte, "Employment-Based Health Insurance and Job Mobility: Is there Evidence of Job Lock?" *Quarterly Journal of Economics* (February 1994)

Week 9: 3/7 **Cost of Illness: The Effect of Health on Labor Force Participation and Earnings**

Mullahy, John and Jody Sindelar, "Gender Differences in the Labor Market Effects of Alcoholism", *American Economic Review* (May, 1991)

<http://www.nida.nih.gov/EconomicCosts/Index.html> Read Chapter 3: Analytical Principles in Estimating Costs of Alcohol and Drug Abuse

Week 10: 3/14 **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), Summer 1992, pp. 3-21

Final Exam: March 24, 11:30-2:30