
Syllabus for ECON 3740 – Health Economics

Winter-2010 | MW 4:00-5:50 PM | STURM Hall 333

Instructor: Yavuz Yaşar

Office: STURM Hall 240

Phone: 303 871 22 44; **e-mail:** yyasar@du.edu

Office Hours: MW 11:00-11:50 AM & 3:00 - 3:50 PM or by appointment.

Course web-site: <http://www.du.edu/~yyasar/HealthEcon.htm>



Course Description & Goal: This course is designed to study the nature of the organization of health care services (i.e., production, delivery, access and utilization) from a critical economic perspective. The course begins with identifying major issues in the U.S. health care system and a review of basic neoclassical microeconomic principles. However, this course does not take a neo-classical analytical framework as the only tool to study health care issues. It also aims at developing a critical perspective by providing a historical, political, and social analysis that demonstrates the flaws of the neoclassical approach to health and health care. Having introduced the neoclassical approach and its critique, the course develops an analytical framework to study the U.S. health care system with an emphasis on demand for and supply of health care services, health care production and costs, and a market analysis of health care industry. More specifically, some of the important parties playing roles in the health care industry, including private health insurance firms, physicians, the pharmaceutical industry, hospital services, and the government will be studied from a critical perspective. In addition, the course deals with the role of government in health care industry and various health care reforms proposed in the U.S.

This course is intended for both graduate (i.e., M.A.) and undergraduate students at the University of Denver. It is expected that students in the course are familiar with microeconomic principles at the introductory level. By taking this course, it is expected that students should be familiar with the U.S. health care system, its organization with respect to production, delivery, access, and utilization through the lenses of a critical economic theory perspective. Having taken the course, undergraduate students should be able to write, for example, their senior thesis on one of the issues in the U.S. health care system. Graduate students are expected to apply economic theory and develop a critical perspective in their M.A. theses on one of the topics in health care.



Text & Readings: We will use Rexford E. Santerre and Stephen P. Neun's (SN) *Health Economics: Theories, Insights, and Industry Studies*, Thomson/

Southwestern, Mason, Ohio, 5th edition (2009). The textbook is available at the bookstore.

This textbook will serve as a guide to introduce the topics, principles of microeconomics, and an analytical framework based on neoclassical theory. Especially the preliminary chapters in the textbook are supported by appendices that introduce the technical tools and explain some of the concepts in detail. It is the students' responsibility to study those tools and concepts. Do not skip the appendices, especially if you are non-economics major. The book also provides students with end-of-chapter study questions. Again, it is the student's responsibility to work on those questions. The order of the covered chapters for the book is listed in the course outline and they are marked as SN.

In order to develop a critical perspective and to treat the topics at a graduate level, the textbook is also supported by original writings as indicated in the course outline below. The readings marked with 'G' are required for graduate students only. Additional readings are coming from different sources such as the internet, academic journals that can be accessed through the Penrose Library, and chapters of different books. Where one can find the readings is indicated clearly in the course outline. For example, students can access some of the additional readings through the Penrose Library (i.e., journals, J-STOR, etc.). Such readings are marked as (**library**). Those marked as (**e-reserve**) can be found at the electronic reserve of the library. [*Go to <http://library.du.edu/> , then click on 'Course Reserves', and then click on 'Electronic Reserves', and search for department ('Economics') and instructor name ('Yavuz Yasar'). Click on the highlighted course description or instructor's name. You will be asked a password. I will announce the password in class and send it to you by e-mail.*]. Some of the readings can be found directly from the internet. For such readings, the internet addresses are provided. "O" indicates that the reading is "optional."

Note that there is a course-web site where one can find basic information about the course (such as the instructor's office location and hours, a copy of the syllabus, etc.); a list of additional sources about health and health care; and some handouts that may consist of some study questions posted by the instructor. Do not forget to visit the course-web site:

<http://www.du.edu/~yyasar/HealthEcon.htm>

The following is a list of suggested books and academic journals in the field of health care and health economics in case one needs to study and research beyond the content of the course.

A list of suggested books

- Paul Starr, *The Social Transformation of American Medicine*, Basic Books (1982)

- Thomas Rice, *The Economics of Health Reconsidered*, 2nd Edition (2003), Academy Health, Washington, DC.
- Cam Donaldson & Karen Gerard, *Economics of Health Care Financing: The Visible Hand*, Palgrave Macmillan, New York, 2005.
- Thomas S. Bodenheimer and Kevin Grumbach, *Understanding Health Policy: A Clinical Approach*, Lange Medical Books/McGraw Hill, New York. 2005.
- Anthony J. Culyer and Joseph P. Newhouse (eds.), *Handbook of Health Economics*, Elsevier, New York, 2000.
- Andrew M. Jones (ed.), *The Elgar Companion to Health Economics*, Edward Elgar, Northampton, MA. 2006.

A list of academic journals

- | | |
|---------------------------------------------------|--------------------------------------------------|
| • International Journal of Health Services (IJHS) | • Health Policy Research |
| • Health Affairs | • Health Policy and Planning |
| • Journal of Health Politics, Policy and Law | • Health Services Research (HSR) |
| • Health Economics | • The Milbank Memorial Fund Quarterly |
| • Journal of Health Economics | • Journal of American Medical Association (JAMA) |
| • Health Policy | • New England Journal of Medicine (NEJM) |



Class Format: As indicated in the course catalogue, I will be mostly lecturing during class time. However, active participation is expected. For active participation, first, students must read the scheduled material in advance. Second, they should discuss the material and readings by means of asking questions, answering questions raised by the instructor, and making comments. This is especially expected from graduate level students.

I may also provide some handouts consisting of some study questions. Students are expected to work on those questions in addition to the ones in the textbook in order to be ready for exams.

All students are expected to write a paper during the quarter. The instructor will provide a list of potential topics. However, students and the instructor will decide topics of papers together no later than **February 1, 2010**. The length of the paper should be no longer than 10 pages for undergraduate and 15 pages for graduate students. Students should write their paper in Times New Roman, double space, and by using font size 12. Optional readings in the course outline can be used to get some ideas about the papers and presentations. Papers will be due on the day of final exam, **March 12, 2010**.



Grading: Grades will be based on student participation, a term paper, one in-class midterm, and the final examination. The weight of each assignment is shown below. Both the mid-term and final-exams may include take-home part in addition to in-class part.

Assignment	Weight
Participation	10%
Paper	15%
Midterm Examination-I	20%
Midterm Examination-II	20%
Final Examination	35%
Total	100%



COURSE OUTLINE



I. INTRODUCTION

1. Introduction (January 4)

2. An Overview of the Health Care Systems

- **SN-Chp. 4 Health Care System and Institutions (January 6 & 11)**

A Brief History of the U.S. Health Care System

- (e-reserve) Bodenheimer, Thomas S. and Kevin Grumbach. 2005. "Chapter 16. Conflict and Change in America's Health Care System," in *Understanding Health Policy: A Clinical Approach* by Thomas S. Bodenheimer and Kevin Grumbach, Lange Medical Books/McGraw Hill, New York.

Financing of and Reimbursement for Health Care Services

- (e-reserve) Bodenheimer, Thomas S. and Kevin Grumbach. 2005. "Chapter 2. Paying for Health Care," in *Understanding Health Policy: A Clinical Approach*

by Thomas S. Bodenheimer and Kevin Grumbach, Lange Medical Books/McGraw Hill, New York.

- (e-reserve) Bodenheimer, Thomas S. and Kevin Grumbach. 2005. "Chapter 4. Reimbursing Health Care Providers," in *Understanding Health Policy: A Clinical Approach* by Thomas S. Bodenheimer and Kevin Grumbach, Lange Medical Books/McGraw Hill, New York.

Health Care Expenditures & Crisis in the US Healthcare

- SN-Chp. 1 Introduction (pgs. 10-17)
- (Library) Andrea Sisko, Christopher Truffer, Sheila Smith, Sean Keehan, Jonathan Cylus, John A. Poisal, M. Kent Clemens, and Joseph Lizonitz. 2009. "Health Spending Projections Through 2018: Recession Effects Add Uncertainty To The Outlook," *Health Affairs*, 28 (2): w346-w357.
- (Library) Anderson, Gerard F., Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan. 2003. "It's The Prices, Stupid: Why the United States Is So Different from Other Countries," *Health Affairs*, Vol. 22, No: 3, pg. 89-105.
- (e-reserve) Himmelstein, David U., Steffie Woolhandler, and Sidney M. Wolfe. 2004. "Administrative Waste in the U.S. Health Care System in 2003: The Cost to the Nation, the States, and the District of Columbia, with State-Specific Estimates of Potential Savings," *International Journal of Health Services*, Vol.34, Number 1, pg. 79-86.
- PBS, "Health Care Crisis: Who is at Risk?"-Interviews with Uwe E. Reinhardt and Bruce C. Vladeck (available at: http://www.pbs.org/healthcarecrisis/Exprts_intrvw/u_reinhardt.htm)

II. ECONOMIC THEORY AND HEALTH CARE

1. Fundamentals of Neoclassical Theory in Health Economics (January

13 & 20)

- SN-Chp. 1. Introduction
- SN- Chp. 2 Health and Medical Care: An Economic Perspective

Characteristics of Health Care Commodity

- [G] (Library, J-STOR) Arrow, K. J. 1963. "Uncertainty and The Welfare Economics of Medical Care," *the American Economic Review*, Vol. LIII, No: 5

Human Capital Model

- [G](e-reserve) Grossman, Michael. 2000. "Human Capital Model," in the *Handbook of Health Economics* edited by Culyer and Newhouse (Vol. 1A, pg. 347-408). 2000.

An Alternative Perspective: Social Determinants of Health

- Social Determinants of Health: The Solid Facts, 2nd Ed. (wilkinson & Marmot, 2003) (available at: <http://www.euro.who.int/document/e81384.pdf>)
- (e-reserve) Diderichsen, F. et al. 2001. "The Social Basis of Disparities in Health," in *Challenging Inequities in Health: From Ethics to Action* by Evans et al. (eds.), Oxford University Press, 2001.
- [G] (Library) Waitzman, Norman J. and Ken R. Smith. 1998. "Separate but Lethal: The Effects of Economic Segregation on Mortality in Metropolitan America," *Milbank Quarterly*, Vol. 76, No. 3, pg. 341-373.

2. Demand for Medical Care and Medical Insurance (January 25 & 27)

Demand for Medical Care

- SN-Chp. 5 Demand for Medical Care
- [G](Library) Getzen, Thomas E. 2000. "Health care is an individual necessity and a national luxury: applying multilevel decision models to the analysis of health care expenditures," *Journal of Health Economics*, Vol. 19, pg. 259-270.
- [O,G](Library) Rice, Thomas. 2002. "Chapter 3. Demand Theory," in *The Economics of Health Reconsidered*, 2nd Edition, Academy Health, Washington, DC. 2002.

Demand for Medical Insurance

- SN-Chp. 6 Demand for Medical Insurance

- (e-reserve) Nyman, John A. 2006. "The value of health insurance," in *The Elgar Companion to Health Economics* by Andrew M. Jones (ed.), Edward Elgar, Northampton, MA. 2006.
- (e-reserve) Markets and Health Care by Donaldson & Karen, 2005
- (e-reserve) Market Failure in Health Care by Donaldson & Karen, 2005

Questioning Efficiency

- (e-reserve) Reinhardt, Uwe E. "Foreword" in *The Economics of Health Reconsidered* by Thomas Rice, 2nd Edition, Academy Health, 2002
- [G](Library) Reinhardt, Uwe E. 2001. "Can Efficiency in Health Care be Left to the Market?" *Journal of Health Politics, Policy and Law*, 26 (5) (October), pg. 967-992.

<p>MIDTERM EXAMINATION-I (FEBRUARY 1, 2010) PAPER TOPICS DECISION DUE (FEBRUARY 1, 2010)</p>

3. Decision Making in Health Care (February 3 & 8)

- SN-Chp. 3 Cost and Benefit Analysis
- Cam Donaldson, Gillian Currie and Craig Mitton. 2002. "Cost effectiveness analysis in health care: contraindications," *BMJ*, Vol 325, No 7369. Available at: <http://www.bmj.com/cgi/reprint/325/7369/891>.
- (Library) Williams, Iestyn and Stirling Bryan. 2007. "Understanding the limited impact of economic evolution in health care resource allocation: A conceptual framework," *Health Policy*, Vol. 80, pg. 135-143.
- [G] (Library) Brouwer, Werner B. F. and Marc A. Koopmanschap. 2000. "On the economic foundations of CEA. Ladies and gentlemen, take your positions," *Journal of Health Economics*, Vol. 19 Issue 4, pg. 439-459.
- [O,G](e-reserve) Garber, Alan. 2000. "Advances in CE Analysis," in the *Handbook of Health Economics* edited by Culyer and Newhouse (Vol. 1A, pg. 211-219).

4. Production and Cost of Medical Care

- SN-Chp. 7 Medical Care Production and Costs (February 8 & 10)
- [O,G](Library) Rice, Thomas. 2002. "Chapter 4. Supply Theory," in *The Economics of Health Reconsidered*, 2nd Edition, Academy Health, Washington, DC. 2002.

5. Economic Analysis of Health Care Industry

- SN-Chp. 8 Structure, Conduct, Performance, and Market Analysis (February 10 & 15)

6. The Role of Government

- SN-Chp. 9 Government, Health, and Medical Care (February 17)

MIDTERM EXAMINATION-II (FEBRUARY 22, 2008)

IV. PUBLIC & PRIVATE HEALTH INSURANCE

- SN-Chp. 10 Government as Health Insurer (February 24)
- (Library) Vladeck, Bruce C. 1999. "The Political Economy Of Medicare," *Health Affairs*, 18 (1), pg. 22-36.
- CBO. 2007. "The Long-Term Outlook for Health Care Spending" (available at: <http://www.cbo.gov/ftpdocs/87xx/doc8758/11-13-LT-Health.pdf>)
- SN-Chp. 11 The Private Health Insurance Industry (March 1 & 3)

Managed competition and Managed Care

- Competition in Health Insurance: A Comprehensive Study of U.S. Markets by AMA (Available at: http://www.ama-assn.org/ama1/pub/upload/mm/368/compstudy_52006.pdf)
- (Library) Enthoven, Alain C. 1993. "The History And Principles Of Managed Competition," *Health Affairs*, 12 (Supplement), pg. 24-28.

- **(Library)** Robinson, James C. 2003. “The Politics of Managed Competition: Public Abuse of the Private Interest,” *Journal of Health Politics, Policy and Law*, Vol. 28, No: 2-3 (April-June).
- **(Library)** Ginsburg, Paul B. 2005. “Competition In Health Care: Its Evolution Over The Past Decade,” *Health Affairs*, Vol. 24, No: 6 (November/December), pg. 1512-1522.
- **(Library)** Robinson, James C. 2006. “The Commercial Health Insurance Industry In An Era Of Eroding Employer Coverage,” *Health Affairs*, November/December; 25(6): 1475-1486.
- **(Library)** White, Joseph. 2007. “Markets and Medical Care: The United States, 1993-2005” the *Milbank Quarterly*, Vol. 85, No. 3, pg. 395-448.
- **[G] (e-reserve)** Dowd, Bryan and Roger Feldman. 2006. “Competition and health plan choice,” in *The Elgar Companion to Health Economics* by Andrew M. Jones (ed.), Edward Elgar, Northampton, MA. 2006.
- **[G](e-reserve)** Glied, Sherry. 2000. “Managed Care,” in the *Handbook of Health Economics* edited by Culyer and Newhouse (Vol. 1A, pg. 211-219).

IV. HEALTH CARE REFORM

- **SN-Chp. 16. Health Care Reform (March 8 & 10)**
- **The final version of the latest health reform (TBA)**
- **(Library)** Himmelstein, David U., Elizabeth Warren, Deborah Thorne, and Steffie Woolhandler ‘Illness And Injury As Contributors To Bankruptcy,’ *Health Affairs*, February 2, 2005. (Note that there is an article by David Dranove and Michael L. Millenson that criticizes Himmelstein et al. (2005) who in turn, reply in March/April 2006; 25(2): w84-w88 issue of the same journal.)
- **(e-reserve)** Woolhandler, Steffie and David U. Himmelstein “Paying For National Health Insurance—And Not Getting It,” *Health Affairs*, July/August 2002.
- **(Library)** Blumberg, Linda J. 1999. “Who Pays For Employer-Sponsored Health Insurance?” *Health Affairs*, 18(6) November/December: 58-61.

- **(e-reserve)** Rotham, David J. 2005. “A Century of Failure: Health Care Reform in America,” in *the Sociology of Health and Illness: Critical Perspectives*, by Peter Conrad (ed.), 7th edition, Worth Publishers, New York (2005).
- **(Library)** Marmor, Theodore R. and Jerry L Mashaw. 2006. “Understanding Social Insurance: Fairness, Affordability, And The 'Modernization' Of Social Security And Medicare,” *Health Affairs*, 25 (2006): wll4-wl34 (published online 21 March 2006; 10.1377/hlthaff.25.wll4). (Note that there is response to this article by Henry J. Aaron in the same issue!).
- **(O, e-reserve)** Zweifel, Peter and Friedrich Breyer. 2006. “The economics of social health insurance,” in *The Elgar Companion to Health Economics* by Andrew M. Jones (ed.), Edward Elgar, Northampton, MA. 2006.
- The Physician Working Group for Single-Payer National Health Insurance. 2003. *Journal of American Medical Association (JAMA)*, Vol. 290; August 13; pg. 798-805. Available at: Course web-site and <http://www.physiciansproposal.org/proposal/Physicians%20ProposalJAMA.p>

df

FINAL EXAMINATION & PAPERS at 4:00-5:50 P.M. (MARCH 12, 2010)