

UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS

ECON 450: Health Economics

Spring 2018

Lecture Time: T, Th 8:00AM-9:15AM

Location: Gardner 007

Instructor: Teresa Zhou

Office: Phillips Annex 202

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Office Hours: T, Th 4PM-5PM

Website: <https://www.unc.edu/sakai/> - contains course calendar, announcements, and supplementary materials

Prerequisites: ECON 400 and 410, a grade of C or better in both courses is required; permission of the instructor for students lacking the prerequisites.

Textbook: Bhattacharya, Jay, Timothy Hyde, and Peter Tu. *Health Economics*. Palgrave Macmillan, 2014.

Important Course Dates:

Feb 13	First Midterm Exam, 8:00 am
March 27	Second Midterm Exam, 8:00 am
May 1	Final Exam, 8:00 am – 11:00 am

Course Description:

Health and health care continue to be on the spot light. According to a study by the Pew Research Center, health care ranks fourth in terms of issues voters in 2016 considered “very important.”¹ Public attention on the topic is not misplaced. National health care expenditures as a percent of the GDP have been growing over the last 50 years. Moreover, the structure of the market can have serious consequences on the lives of the citizens.

In this class we will study the market for health and health care drawing from basic economic concepts to understand the choices of consumers and firms, as well as interactions between consumers, firms, and the government. We will also study health policy focusing on alternative paradigms of health care provision.

This course is specially aimed at Economics undergrads. However, students from other social sciences with some background in basic economics and mathematics should also benefit from taking the course. Enrolled students should expect to learn the main features of the health care market as well as the underpinning economic interactions from which it emerges.

¹ See <http://www.people-press.org/2016/07/07/4-top-voting-issues-in-2016-election/>. Health care ranks fourth after “the economy,” “terrorism,” and “foreign policy.”

The course will generally follow the textbook but it will also include materials extracted from academic articles. Below is the tentative class schedule and a list that already introduces some of the readings. I have scheduled two classes each to most policy issues but it is possible we will only need one class for each issue. If that is the case and we have more time in the end, I will introduce some topics focusing specially on empirical methods for health economics.

In addition, as a budding economist, I strongly encourage you to read a newspaper such as *The Wall Street Journal* or *Financial Times* on a daily basis. *The Economist*, a weekly publication, is also highly recommended. All of these publications are available electronically via the library's e-research tools.

Course Requirements: This course is designed to be very rigorous and demanding in order to foster your critical thinking skills as an economist. You are expected to work hard, actively participate, ask questions when you have any doubts, and perform to the very best of your ability. Still, the purpose of this course is to teach you something about health economics, not to destroy your GPA.

Evaluation for this course will be based upon *two* mid-term exams (20% each), a cumulative final exam (20%), *three* problem sets (10% each), presentation (5%), and participation (5%). *I do not distribute any grades via email or over the telephone.*

Problem sets will be posted at least a week before they are due and solutions will be made available in a timely fashion to allow for exam preparation (see schedule below). Groups of at most three people may work together in their problem sets and turn in one single set of solutions.

Class participation will be a way to foster and measure your engagement to the class. Participation will rely on readings that will be assigned prior to class. Treat the chapters of the book listed in the "Readings" column in the schedule as required.² Additionally, as we move forward in the semester, I will timely populate the "Readings" column with more articles and will mark which ones are required and which ones are only suggested. I understand some of the articles listed will be fairly advanced for many of you. Hence, I do not expect you to read the entire paper and understand all the mathematics, if there is any. Instead, I expect you to be able to read the intro of the paper and glance through the other sections to be able to capture the main ideas of the paper: What is the research question? How is it related to health economics? What is the authors' answer? How do they reach that answer? And finally, make sure you build your own opinion regarding whether or not you find the paper compelling or relevant.

Presentation will be a group project at the end of the semester. More information regarding the format will be released in class prior to the presentation.

Anything discussed in class can enter in the exams unless stated otherwise, even if it was not part of a problem set. For exams and problem sets students will get numeric grades on a 100-point scale. At the end of the semester your participation will be deemed as "low," "medium," or "high," which corresponds to scores 70, 85, 100. I do not curve grades. At the end of the semester, numerical grades will be converted back to letter grades when reported to the system.

Grading Scale (as a percentage of total points)

A = 93-100	C = 73-76.99
A- = 90-92.99	C- = 70-72.99
B+ = 87-89.99	D+ = 67-69.99
B = 83-86.99	D = 60-66.99
B- = 80-82.99	F <60
C+ = 77-79.99	

² All required readings will be marked by a star.

There is no maximum number of A, B, C or D grades.

Exam Format: There will be two mid-term exams given during the session (2/13 and 3/27) and a cumulative final exam (5/1). Each exam will cover material presented in class, readings scheduled outside of class, homework assignments, and suggested problems from the textbook. The exam format will be provided in the class prior to a given exam. You should bring a pen/pencil, your UNC ID, and a basic calculator with you to each exam. Students that arrive more than 15 minutes late for an exam will not be permitted to take the exam. I will hold extra office hours during the week of the exam.

Policies and Expectations:

I do not provide make-up midterm exams. If a midterm exam must be missed for an allowable reason (e.g., death in immediate family, extreme illness, mandatory court date), please notify me in advance (if possible) and with documentation of the explanation within two business days, and I will discuss with you your options once an acceptable absence has been verified.

Engagement in the course (demonstrated through attendance, attention, comments, questions, active listening, and respect toward the instructor and fellow students) is expected and a part of the learning experience. While I understand that students may not be able to attend every class, the student must likewise understand that an absence from class may result in missed information and, consequently, a lower grade. I will not (and cannot) replicate our hour-and-fifteen-minute class in my office hours. It will be your responsibility to obtain the missed information. Again, attendance will not be taken, but engagement and active participation will have a positive impact on your final grade through my perception of your commitment to learn.

Laptops, tablets, phones, or similar devices are not prohibited during the lecture. However, I strongly discourage you to use them--imagine my impression of you if I ask you something and you are on your phone. You should know that using these devices may have negative externalities on your peers and interferes with your own learning.³ Numerous studies show that "disconnected" students perform significantly better than their "connected" peers.

Academic Integrity: All behavior in this class is governed by the UNC Honor Code. If you do not yet understand your responsibilities and rights under this code, I urge you to learn more from <http://honor.unc.edu>. I take the Honor Code very seriously.

Tips for Being Successful in ECON 450

- Attend all lectures and exam review sessions.
- Stick to the deadlines given on the course calendar. This means all assigned readings should be completed before they are presented, problem sets should be done by the due date, etc.
- Dedicate at least three hours of study time outside of class for every hour in class.
- Work through the resources that are available in Sakai.
- Read the WSJ, Financial Times, and/or The Economist and think about how the content can be applied to economics.
- If you find that you are having particular difficulty with any of the material in this course, then get help immediately. *Do not let it build up*. It is expected that you will have read the appropriate sections of the textbook and reviewed your notes **before** a scheduled meeting. I will have office hours twice every week, so please take advantage of them.

³ See <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom>

Calendar and Reading List: A detailed outline with a calendar of required readings and assignments can be found in Sakai. You are expected to have all assigned readings completed before the material is presented. The entire chapter is to be read unless otherwise noted.

Day	Date	Unit	Topic	Readings	Assignment
TH	1/11	Intro	Intro	Ch 1*; Cutler, Rosen, and Vijan (2006); Fuchs (2012)*	
T	1/16	Demand	Demand for health care	Ch 2*; Finkelstein et al. (2012)*; Keeler et al. (1988) (Summary)	
TH	1/18	Demand	Grossman model 1	Grossman (1972)*	
T	1/23	Demand	Grossman model 2	Kim and Ruhm (2012)*	
TH	1/25	Demand	Health disparities	Ch 4*; Roseboom et al. (2001)	
T	1/30	Demand	Health “bads”	Becker and Murphy (1988)*; Becker, Grossman, and Murphy (1994); Gilleskie and Strumpf (2005)*; Leibenstein (1950)	PS1 Posted
TH	2/1	Demand	Health “bads”	(same as above)	
T	2/6	Supply	Supply of health care	Ch 5*; Schulman et al. (1999)	
TH	2/8		Catch up and Review session for MT1		PS1 Due
T	2/13	EXAM			
TH	2/15	Information	Demand for insurance	Ch 7*	
T	2/20	Information	Adverse selection 1	Ch 8*, Akerlof (1970)	
TH	2/22	Information	Adverse selection 2	Ch 10*	
T	2/27	Information	Moral hazard	Ch 11*, Spenkuch (2012)	
TH	3/1	Innovation	Pharmaceuticals	Ch 12*	
T	3/6	Innovation	Health technology assessment	Ch 14*, Sanders et al. (2005)	PS2 Posted
TH	3/8	Innovation	Demand for health under innovation	Hamilton et al. (2017)*, Papageorge (2016)*	
T	3/20	Gov. Intervention	Externalities and public health	Ch 20*, 22*	
TH	3/22		Catch up and Review session for MT2		PS2 Due
T	3/27	EXAM			
TH	3/29	Health Policy	Health policy conundrum	Ch 15*, Garber and Skinner (2008)*, Kyle and Williams (2017)*	
T	4/3	Health Policy	Health policy conundrum		
TH	4/5	Health Policy	Beveridge model	Ch 16*, Ringard (2012)*	
T	4/10	Health Policy	Bismark model	Ch 17*, Ringard (2012)*, Or et al. (2010)	
TH	4/12	Health Policy	American model	Ch 18*	PS3 Posted
T	4/17	Health Policy	Future of Health Care Policies	Ch 19*	
TH	4/19		Presentation		
T	4/24		Presentation		
TH	4/26		Review for Final		PS3 Due
Final	5/1 (8am)	EXAM			

Disclaimer: Although the instructor intends to follow this syllabus as closely as possible, there may be times when deviations from the material presented herein are necessary. Changes will be announced as early as possible so that students can adjust their schedule.

References

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- Garber, Alan, and Jonathan Skinner. 2008. "Is American Health Care Uniquely Inefficient?" *The Journal of Economic Perspectives*, 22(4):27-50.
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