

Course Number: ECON 590-001
 Credit Hours: 3.0
 Department: Economics

Day/Time: TTH 2:00-3:15
 Term: Fall 2016
 Bldg/Room: Phillips 222

Professor: Donna Gilleskie
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Office Hours: W 3:00 – 4:00 pm
 F 9:00 – 10:00 am

Grading:	Midterm #1	20 %	Thu, Sep 29
	Midterm #2	25 %	Thu, Nov 03
	Papers	30 %	3 five-page papers
	Final	20 %	Sat, Dec 10 , 12:00 – 3:00 pm
	Participation	5 %	Engagement (attendance, comments, questions, attention)

Textbook: Health Economics Jay Bhattacharya, Timothy Hyde, Peter Tu
 Readings: textbook and papers (links or pdfs to be provided by instructor)

Course Description

The mere size of the health care sector in the US, as well as recent reforms, suggests the importance of understanding the health care market. Economists can contribute greatly to this understanding. The course is designed to equip you with tools used by economists to navigate health-related markets. It does so by illustrating how economists analyze topics related to the demand for and production of health, the demand for and supply of medical care, and the demand for and supply of health insurance. As a hallmark of most economic analyses, we will explore the importance of incentives in decision making (e.g., health insurance, information, etc.) with a focus on how individuals and providers behave.

Paper Details

Paper #1 is a group project with three (randomly assigned) students. The groups will be assigned on **Thu, Sep 01** and the group paper is due **Thu, Sep 15**.

Paper #2 requires discussion of a recent news item that relates to topics covered in the class. Students will be randomly assigned to topics on **Tue, Sep 06**. The paper is due after the assigned topic is discussed in the course. The due date will generally be one week (two class periods) after completion of that lecture topic. Due dates for each topic are: **Tue, Oct 04; Thu, Oct 06; Tue, Oct 18; Tues, Nov 01; Thu, Nov 17**.

Paper #3 involves describing, in economic terms, a health-related decisionmaking process. A list of decisionmaking scenarios, from which you may choose, will be provided on **Tue, Oct 11**. You may work alone or with one other person. The paper is due near the end of the semester: **Thu, Dec 01**.

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.

Papers should be submitted through Sakai. The system will accept papers until 5:00 pm on the due date. If you prefer, you may submit a hard copy of your paper in class on the due date.

Engagement in the course (demonstrated through attendance, attention, comments, questions, active listening, and respect toward the teacher and fellow students...in a word, participation) 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.

Students may not use laptops, tablets, phones, or similar devices during the lecture. The impetus behind this rule is: First, your contemporaries have shown that they will engage, during class, in non-course activities on these devices. Second, such activity disrupts your classmates and disruptive behavior violates section II.C.1.k of the Honor Code. Third, it interferes with your learning (see <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom>). Numerous studies show that “disconnected” students perform significantly better than their “connected” peers.

You are expected to be honest and honorable in your fulfillment of course conduct, course assignments, and course exams. Adherence to the honor code is required (<https://studentconduct.unc.edu/sites/studentconduct.unc.edu/files/documents/Instrument.pdf>). You are also expected to contribute your fair share to group projects. Ratings of individual participation from each group member will be solicited.

Course Resources and Timetable

An outline of topics and outside reading assignments follows. Although this outline gives a chronology of topics, some deviations from the proposed order may be necessary as the class progresses. Students are responsible for attending classes and learning of any changes in the schedule. At the end of each class I will try to remind students which readings will be beneficial for the following class period.

Topics and Readings

1.) U.S. Health Spending

Fuchs, Victor R. 2012. "Major Trends in the U.S. Health Economy since 1950." *New England Journal of Medicine* 366(11):973-7.

<http://www.nejm.org/doi/pdf/10.1056/NEJMp1200478>

Aaron, Henry J. and Paul B. Ginsburg. 2009. "Is Health Spending Excessive? If So, What Can We Do About It?" *Health Affairs* 28(5): 1260-75.

<http://content.healthaffairs.org/content/28/5/1260.full.pdf+html>

Cutler, David M., Sanjay Vijan, and Allison B. Rosen. 2006. "The Value of Medical Spending in the United States, 1960-2000." *New England Journal of Medicine* 355(9): 920-7.

<http://www.nejm.org/doi/pdf/10.1056/NEJMsa054744>

Preston, Samuel and Jessica Ho. 2009. "Low Life Expectancy in the United States: Is the Health Care System at Fault?" University of Pennsylvania Population Studies Center Working Paper Series, NBER Working Paper #15213.

For a contrary view to the many who believe that the US medical care system not only spends more but delivers less, the last part largely based on mortality data, see

<http://www.nber.org/papers/w15213.pdf>

or for those who prefer a short version, see the *New York Times* story

<http://query.nytimes.com/gst/fullpage.html?res=9902E7DE103DF931A1575AC0A96F9C8B63&sec=&spon=&pagewanted=2>.

Fuchs, Victor R. 2009. "Eliminating 'Waste' in Health Care." *Journal of the American Medical Association* 302(22): 2481-2.

<http://jama.ama-assn.org.ezp-prod1.hul.harvard.edu/content/302/22/2481.full.pdf>

Bloche, M. Gregg. 2012. "Beyond the 'R Word'? Medicine's New Frugality." *New England Journal of Medicine* 366(21): 1951-3.

<http://www.nejm.org/doi/pdf/10.1056/NEJMp1203521>

Smith, Sheila, Joseph P. Newhouse, and Mark Freeland. 2009. "Income, Insurance, and Technology." *Health Affairs* 28(5): 1276-84.

<http://content.healthaffairs.org/content/28/5/1276/suppl/DC1>

2.) What is Health Economics?

Arrow, K. 1963. "Uncertainty and the Welfare Economics of Medical Care." *American Economic Review* 53, 941-973.

http://muse.jhu.edu/journals/journal_of_health_politics_policy_and_law/v026/26.5arrow01.pdf

Pauly, M. 1983. "Is Medical Care Different?" in *Issues in Health Economics*. W. Greenberg (ed.), Washington: Bureau of Economics, FTC.

Pauly, M. 1988. "Is Medical Care Different? Old Questions, New Answers." *Health Politics, Policy & Law* 13, 227-238.

<http://jhppl.dukejournals.org/content/13/2/227.long>

Sloan, Frank A. 2001. "Arrow's Concept of the Health Care Consumer: A Forty-Year Retrospective." *Journal of Health Politics, Policy and Law* 26(5): 899-91.
http://muse.jhu.edu/journals/journal_of_health_politics_policy_and_law/v026/26.5sloan.pdf

3.) Demand for Health and Health Production

Graham, Carol, Lucas Higuera, and Eduardo Lora. 2011. "Which Health Conditions Cause the Most Unhappiness?" *Health Economics* 20: 1431–1447.
<http://onlinelibrary.wiley.com/doi/10.1002/hec.1682/abstract>

Almond, Douglas and Janet Currie. 2011. Killing Me Softly: The Fetal Origins Hypothesis. *Journal of Economic Perspectives* 25(3): 153–172.
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.25.3.153>

McGovern, Laura, George Miller, and Paul Hughes-Cromwick. 2014. Health Policy Brief: "The Relative Contribution of Multiple Determinants to Health Outcomes." *Health Affairs*, August 21, 2014.
http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=123

Cutler, David, Angus Deaton, Adriana Lleras-Muney. 2006. The Determinants of Mortality. *Journal of Economic Perspectives*, 20(3): 97-120.
<https://www.aeaweb.org/articles.php?doi=10.1257/jep.20.3.97>

Case, Anne and Angus Deaton. 2015. "Rising Morbidity and Mortality in Midlife Among White Non-Hispanic Americans in the 21st Century." *PNAS* 2015 112 (49) 15078-15083; published ahead of print November 2, 2015, doi:10.1073/pnas.1518393112

Steward, Susan and David Cutler. 2014. "The Contribution of Behavior Change and Public Health to Improved U.S. Population Health." NBER working paper # 20631.
<http://www.nber.org/papers/w20631>

4.) Demand for Health and Demand for Medical Care – in more detail

Manning, W., J. Newhouse, N. Duan, E. Keeler, A. Leibowitz, and M. Marquis. 1987. "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment." *American Economic Review* 77(3): 251-277.
<http://www.jstor.org/stable/pdf/1804094.pdf>

Newhouse, Joseph P. and the Insurance Experiment Group. 1993. Free for All? Lessons from the RAND Health Insurance Experiment, Harvard University Press, 1993.

Aron-Dine, A., L. Einav, and A. Finkelstein. 2012. "The RAND Health Insurance Experiment, Three Decades Later." NBER Working paper # 18642.
<http://economics.mit.edu/files/8400>

Baicker, Katherine, Sarah Taubman, Heidi Allen, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Eric Schneider, Bill Wright, Alan Zaslavsky, Amy Finkelstein, and the Oregon

Health Study Group. 2013. "The Oregon Experiment – Medicaid's Effects on Clinical Outcomes." *New England Journal of Medicine* 368(18): 1713-22.

<http://www.nejm.org/doi/pdf/10.1056/NEJMs1212321>

Finkelstein, Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, Katherine Baicker, and the Oregon Health Study Group. 2012. "The Oregon Health Insurance Experiment: Evidence from the First Year." *Quarterly Journal of Economics* 127(3): 1057-1106.

<http://qje.oxfordjournals.org.ezp-prod1.hul.harvard.edu/content/127/3/1057.full.pdf+html>

Grossman, Michael. 1972. "On the Concept of Health Capital and the Demand for Health." *The Journal of Political Economy* 80(2): 223-255.

<http://www.jstor.org/stable/pdf/1830580.pdf>

Leibowitz, Arleen A. 2004. "The Demand for Health and Health Concerns after 30 Years." *Journal of Health Economics* 23(4): 663-671.

<http://www.sciencedirect.com/science/article/pii/S0167629604000608>

Meyerhoefer, Chad D., and Samuel H. Zuvekas. 2010. "New Estimates of the Demand for Physical and Mental Health Treatment." *Health Economics* 19(3): 297-315.

<http://onlinelibrary.wiley.com/doi/10.1002/hec.1476/epdf>

5.) Health Insurance

Cutler, David M. and Richard J. Zeckhauser. 2000. "The Anatomy of Health Insurance." in *Handbook of Health Economics*, eds., Anthony J. Culyer and Joseph P. Newhouse; Amsterdam: North-Holland, 2000.

<http://hks.harvard.edu/fs/rzeckhau/CZ2000.pdf>

Rothschild, M. and F. Stiglitz. 1976. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information." *Journal of Risk and Insurance* 49:602-611.

<http://www.uh.edu/~bsorense/Rothschild&Stiglitz.pdf>

Ehrlich, I. and G. Becker. 1972. "Market Insurance, Self-Insurance, and Self-Protection." *Journal of Political Economy* 80: 623-648.

<http://www2.econ.iastate.edu/classes/econ642/Babcock/ehrllich%20and%20becker.pdf>

6.) Health "Bads", Peer Effects, Risky Behaviors

Darden, Michael, Donna Gilleskie, and Koleman Strumpf. 2015. "Smoking and Mortality: New Evidence from a Long Panel." Working Paper.

Anderson, D. Mark. 2010. Does Information Matter? The Effect of the Meth Project on Meth Use among Youths." *Journal of Health Economics* 29(5): 732-742.

<http://www.sciencedirect.com/science/article/pii/S0167629610000779>

Bhattacharya, Jay and Neeraj Sood. 2011. "Who Pays for Obesity?" *Journal of Economic Perspectives* 25(1): 139–158.

http://www.jstor.org/stable/23049442?seq=1#page_scan_tab_contents

Kearney, Melissa S. and Phillip B. Levine. 2012. "Why is the Teen Birth Rate in the United States So High and Why Does it Matter?" *Journal of Economic Perspectives*, 26(2): 141-166.

<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.2.141>

7.) Health Insurance and the Labor Market

Baicker, Katherine and Amitabh Chandra. 2006. "The Labor Market Effects of Rising Health Insurance Premiums." *Journal of Labor Economics* 24(3): 609-634.

http://www.hks.harvard.edu/fs/achandr/JLE_LaborMktEffectsRisingHealthInsurancePremiums_2006.pdf

Gilleskie, Donna and Byron F. Lutz. 2002. "The Impact of Employer-Provided Health Insurance on Dynamic Employment Transitions." *The Journal of Human Resources* 37(1): 129-162.

http://www.jstor.org/stable/3069606?seq=1#page_scan_tab_contents

CBO. 2014. "The Budget and Economic Outlook: 2014 to 2024." February 4, 2014 (Appendix C).

<http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-breakout-AppendixC.pdf>

8.) Delivery of Care: Managed Care, Physicians, Hospitals, Long Term Care

9.) Pharmaceutical Industry

10.) Technology and Assessment

11.) Regulation and Role of Government

Baicker, Katherine and Amitabh Chandra. 2008. "Myths and Misconceptions about U.S. Health Insurance." *Health Affairs* 27(6): w533-43.

<http://content.healthaffairs.org.ezpprod1.hul.harvard.edu/content/27/6/w533.full.pdf+html>

Rosenthal, Meredith B. 2009. "What Works in Market-Oriented Health Policy?" *New England Journal of Medicine* 360(21): 2157-60.

<http://www.nejm.org/doi/full/10.1056/NEJMp0903166>

12.) Comparative Health Care Systems

International Profiles of Health Care Systems. 2013. eds. Sarah Thomson, Robin Osborn, David Squires, and Miraya Jun; The Commonwealth Fund, November 2013.

<http://www.commonwealthfund.org/Publications/Fund-Reports/2013/Nov/International-Profiles-of-Health-Care-Systems.aspx>.

Fuchs, Victor R. 2013. "How and Why US Health Care Differs from that in Other OECD Countries." *Journal of the American Medical Association* 309(1): 33-4.

<http://jama.jamanetwork.com/article.aspx?articleid=1555142>

Summary

Antos, Joseph, John Bertko, Michael Chernew, David Cutler, Dana Goldman, Mark McClellan, Elizabeth McGlynn, Mark Pauly, Leonard Schaeffer, and Stephen Shortell. 2009. "Bending the Curve: Effective Steps to Address Long-Term Healthcare Spending Growth." *American Journal of Managed Care* 15(10): 676-80.

http://www.ajmc.com/journals/issue/2009/2009-10-vol15n10/ajmc_09oct_antos_reprt676to80

Pauly, M., 2010. "Health Reform without Side Effects." Hoover Institution Press Publication No. 580.

http://www.hoover.org/sites/default/files/uploads/documents/9780817910440_1.pdf

Patel, Vip and Mark Pauly. 2002. "Guaranteed Renewability and the Problem of Risk Variation in Individual Health Insurance Markets." *Health Affairs*, Jul-Dec: Suppl Web Exclusives: W280-9.

<http://content.healthaffairs.org/content/suppl/2003/12/03/hlthaff.w2.280v1.DC1>

Useful Website

National Health Expenditures Information:

[National Health Expenditures by type of service and source of funds, CY 1960-2014 \[ZIP, 102KB\]
https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html?redirect=/nationalhealthexpenddata/](https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html?redirect=/nationalhealthexpenddata/)