

HEALTH ECONOMICS
ECON 450/001,002
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
FALL 2018 SYLLABUS¹

LOGISTICS

Department: Economics
Credit Hours: 3.0

Instructor: Andrés Hincapié
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Gardner 101
(919) 966-5926
Office Hours: T,Th 1:45PM-2:45PM

TA: TBD
Office Hours: TBD

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.

Lectures:

- ECON 450/001: T/Th 8:00 AM -9:15 AM (Gardner 0007)
- ECON 450/002: T/Th 12:30 PM -1:45 PM (Gardner 0007)

COURSE DESCRIPTION

Health and health care continue to be in 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.”² 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 but we rank low among develop nations in public health measures such as life-expectancy and infant mortality.

¹This version was compiled on July 25, 2018. Check Sakai or my website every Friday at 5PM for the latest compilation with the relevant papers to read for the following week.

²See <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.”

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. The 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 health care markets, including the economic interactions from which it emerges.

The course will generally follow the textbook with added materials from the academic literature. In particular, we will employ research papers in the literature to study health policies under alternative paradigms of health care provision. Below is the tentative class schedule and a list that already introduces some of the readings.

GRADING

Your final grade will be determined as follows:

- Midterm (x2): 20%
- Final: 20%
- Problem sets (x3): 8% each
- Participation: 6%
- Student presentations: 10%

Your performance in the course will be evaluated using a combination of problem sets, exams, presentations and class participation:

- 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 two people may work together in their problem sets and turn in one single set of solutions.
- Student presentations will be done by groups selected by the students themselves. Students will propose the topics and the instructor will approve them. The number of members in the group, as well as the time allocated for each presentation will depend on the number of students in the class.
- Class participation will be a way to foster and measure your engagement in class discussions. Participation will rely on readings that will be assigned prior to class. As we move forward in the semester, I will continue to populate the “Readings” column and will mark which readings are required and which ones are only suggested; required readings will be marked by a star. Some of the research 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 and econometrics, if there are 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.

- Final exam is cumulative. 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 base. 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, final numerical grades will be approximated to their closets integer and converted back to letter grades when reported to the system using the following conversion table:

| Letter Grade | Lower Limit | Upper Limit |
|--------------|-------------|-------------|
| A | 95 | 100 |
| A- | 90 | 94 |
| B+ | 87 | 89 |
| B | 83 | 86 |
| B- | 80 | 82 |
| C+ | 77 | 79 |
| C | 73 | 76 |
| C- | 70 | 72 |
| D+ | 65 | 69 |
| D | 60 | 64 |
| F | 0 | 59 |

Generally, review sessions for exams will be tournaments in which groups of students will compete for extra credits applicable to the following 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. Besides, I do not provide extra-credit activities to specific students to “boost” their grade, so your best strategy is to work hard in the specified assignments and exams.

Engagement in the course (demonstrated through 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. 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.

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.⁴

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

⁴<https://studentconduct.unc.edu/sites/studentconduct.unc.edu/files/documents/Instrument.pdf>

Tentative Schedule - Fall 2018

| Week | Day | Date | Unit | Topic | Readings | Comments |
|--------|-----|-------|-------------------|---|---|----------------------|
| 1 | T | 8/21 | Intro | Intro | Ch 1*, Cutler, Rosen, and Vijan (2006), Fuchs (2012)* | |
| 1 | TH | 8/23 | Demand | Demand for health care | Ch 2*, Finkelstein et al. (2012)*, Keeler et al. (1988) (Summary) | |
| 2 | T | 8/28 | Demand | Grossman model 1 | Ch 3*, Grossman (1972)* | |
| 2 | TH | 8/30 | Demand | Grossman model 2 | Kim and Ruhm (2012)* | |
| 3 | T | 9/4 | Demand | Health disparities | Ch 4*, Roseboom et al. (2001), Galama and van Kippersluis (2013)* | |
| 3 | TH | 9/6 | Demand | Health "bads" | Becker and Murphy (1988)*, Becker, Grossman, and Murphy (1994), Gilleskie and Strumpf (2005)*, Leibenstein (1950) | PS1 Posted |
| 4 | T | 9/11 | Supply | Supply of health care 1 | Ch 5*, Schulman et al. (1999), Chan and Dickstein (2017)* | |
| 4 | TH | 9/13 | Supply | Supply of health care 2 | Ch 6*, Gaynor, Mostashari, and Ginsburg (2017), Gowrisankaran and Town (2003)* (Intro and Background sections) | |
| 5 | T | 9/18 | Review | Review session for MT1 | | PS1 Due |
| 5 | TH | 9/20 | EXAM | MIDTERM EXAM 1 | | |
| 6 | T | 9/25 | Information | Demand for insurance | Ch 7* | |
| 6 | TH | 9/27 | Information | Demand for insurance | Ch 7* | |
| 7 | T | 10/2 | Information | Adverse selection 1 | Ch 8*, Akerlof (1970) | |
| 7 | TH | 10/4 | Information | Adverse selection 2 | Ch 9* | |
| 8 | T | 10/9 | Information | Adverse selection 3 | Ch 10*, Cardon and Hendel (2001)* | |
| 8 | TH | 10/11 | Innovation | Moral hazard | Ch 11* | |
| 9 | T | 10/16 | Innovation | Technology and health care price | Ch 13* | PS2 Posted |
| 9 | TH | 10/18 | NO CLASS | NO CLASS | | Fall Break |
| 10 | T | 10/23 | Innovation | Health technology assessment | Ch 14* | |
| 10 | TH | 10/25 | Review | Review session for MT2 | | PS2 Due |
| 11 | T | 10/30 | EXAM | MIDTERM EXAM 2 | | |
| 11 | TH | 11/1 | Innovation | Pharmaceuticals and demand under innovation | Ch 12*, Papageorge (2016) | |
| 12 | T | 11/6 | Gov. Intervention | Externalities and public health | Ch 20*, Hamilton et al. (2018)* | |
| 12 | TH | 11/8 | Health Policy | Health policy conundrum | Ch 15*, Garber and Skinner (2008)*, Kyle and Williams (2017)* | Presentation rules |
| 13 | T | 11/13 | Health Policy | Beveridge model | Ch 16*, Ringard (2012)* | |
| 13 | TH | 11/15 | Health Policy | Bismark model | Ch 17*, Or et al. (2010)*, Ringard (2012)* | |
| 14 | T | 11/20 | Health Policy | American model | Ch 18* | PS3 Posted |
| 14 | TH | 11/22 | NO CLASS | NO CLASS | | Thanksgiving Break |
| 15 | T | 11/27 | Health Policy | Student Presentations 1 | | |
| 15 | TH | 11/29 | Health Policy | Student Presentations 2 | | |
| 16 | T | 12/4 | Review | Review session for Final | | PS3 Due |
| 16 | TH | 12/6 | NO CLASS | NO CLASS | | Classes end on Dec 5 |
| Finals | FR | 12/7 | EXAM | 12PM-3:00PM, Section 002 | | |
| Finals | TH | 12/13 | EXAM | 8AM-11:00AM, Section 001 | | |

References

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