

Syllabus
Economics 542 – Health Economics
DePaul University
Spring 2022

Meeting Time: Thursdays 5:45pm-9:00pm (Flex)

Room: DePaul Center, Room 8207

Instructor: Professor Anthony T. Lo Sasso

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Course Description and Objectives:

This course provides a comprehensive overview of topics related to workings of health care markets and determinants of health in high-income countries, particularly the U.S. Health economics is a field in applied microeconomics. Upon completion, successful students will have learned the following:

1. Articulate an economic perspective on health and the health care sector based on an understanding of economic rationale and key analytic economic constructs.
2. Describe and apply economic methodological approaches to the study of health.
3. Understand and assess economic decisions of health care consumers, providers, organizations, and the health care system.
4. Critically evaluate and assess implications for health policy based on economic determinants of the demand/supply of health, health care, and insurance.

Totally Optional Text:

Health Economics by Bhattacharya, Hyde, & Tu, Palgrave Macmillan, 2014. (Or really any undergrad health econ textbook.)

Requirements:

1. Problem sets (contributes 50% to final grade).
2. “Take-home” final exam (contributes 50% to final grade).

Grading: A = 93-100, A- = 90-92, B+ = 87-89, B = 83-86, B- = 80-82, C+ = 77-79, C = 73-76, C- = 70-72, D+ = 67-69, D = 60-66, F = <60

Other Information: You should have firm “micro-foundations” before attempting this class. I will assume familiarity with a minimum level of microeconomics consistent with the intermediate micro level.

Course Modality

This is a Flex course. The course meets **in person DePaul Center 8207 + Flex** (via Zoom): Thursdays 5:45-9:00pm. You may attend class each week on campus or remotely via Zoom. We will all have a richer experience if you attend in person, and studies suggest that you will learn more, but I recognize it won’t always be possible to attend in person. However, attendance is expected – please email me if you are unable to attend a class. On-campus students may bring a laptop to class and connect to Zoom – this can help in following the content shared in class, reading live subtitles, and participating in any polls. Classes are recorded, and recordings will be posted to D2L at my discretion. Please note: There is no option to attend this course entirely asynchronously. The course is designed for you to actively contribute in class rather than passively watch class recordings.

Given the Flex modality, it will be more difficult for me to “read the classroom” to get a sense of whether what I’m saying is clear—so you need to help me! I’m asking—but not requiring—you to leave your cameras on

during our weekly class session. It really does make the experience better for everyone. I would also encourage you to do your best to help your fellow students. Answer questions in the Discussion board when you can. Finally, given the ever-present uncertainties, covid, technical, or otherwise, I reserve the right to modify the syllabus in the event of unforeseen circumstances.

Super-fun-definitely-NOT-office-hours time: 4:30-5:30pm Thursdays: I'll be in my office in the Economics Department (room 6217) & on Zoom (see D2L for link). Alternatively, you should feel free to contact me to schedule a time to chat whenever it's convenient for you.

Class Etiquette

- Remote students are expected to have their webcams switched on and microphones muted (unless talking). Remote students may periodically switch off their webcams to take a break.
- Remote students are expected to upload a Zoom profile photograph or acceptable avatar image.
- Remote students are expected to contribute in class. You must be in an environment where you are not distracted and can talk. You may be asked to share your computer screen and present to the class.
- On-campus students connecting to Zoom in the classroom must mute their microphones and speakers to prevent audio feedback.
- Students connecting to Zoom must use their DePaul Zoom accounts. Students using non-DePaul Zoom accounts may be blocked from connecting to class.
- Your name in Zoom must match the preferred name on your university record.

Other Course Information

The Discussion board on D2L will be where we “converse” offline about the material and you can ask questions. If you send me email questions about course material, I will respond by telling you post it. You may of course email me regarding any personal matters as they relate to the course.

Course Outline (Final-ish)

<i>Date</i>	<i>Topic/Readings</i>
Week 1	<p>Introduction – why health economics? Demand for health</p> <p>Arrow, Kenneth. Uncertainty and the Welfare Economics of Medical Care, <i>American Economic Review</i> 1963; 53(5):941-973.</p> <p>Grossman, Michael. 2000. “The Human Capital Model,” in eds., Anthony Culyer and Joseph Newhouse, <i>Handbook of Health Economics</i>. North-Holland, Elsevier Science, Chapter 7:347-405.</p>
Week 2	<p>Demand for health care</p> <p>Manning, Willard et al., “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” <i>American Economic Review</i>, 1987, 77(3), 251-177.</p> <p>The RAND Health Insurance Experiment, Three Decades Later Aviva Aron-Dine Liran Einav Amy Finkelstein <i>Journal of Economic Perspectives</i> Vol. 27, No. 1, Winter 2013 (pp. 197-222)</p> <p>Finkelstein, Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, and Katherine Baicker, “The Oregon Health Insurance Experiment: Evidence from the First Year,” <i>Quarterly Journal of Economics</i>, 2012, 127(3), 1057-1106.</p>
Week 3-4	<p>Infectious disease, economic epidemiology</p> <p>Philipson, Tomas, “Economics Epidemiology and Infectious Disease,” NBER Working Paper #7037, March 1999. (Also Chapter 33 in <i>Handbook of Health Economics</i>)</p> <p>Auld, M. C. (2003). Choices, beliefs, and infectious disease dynamics. <i>Journal of health economics</i>, 22(3), 361-377.</p> <p>Perrings, C., Castillo-Chavez, C., Chowell, G., et al. (2014). Merging economics and epidemiology to improve the prediction and management of infectious disease. <i>EcoHealth</i>, 11(4), 464–475.</p> <p>Michael Kremer, Integrating Behavioral Choice into Epidemiological Models of AIDS, <i>The Quarterly Journal of Economics</i>, Volume 111, Issue 2, May 1996, Pages 549–573.</p> <p>Recommended classic: Peltzman, S. (1975). The effects of automobile safety regulation. <i>Journal of Political Economy</i>, 83(4), 677-725.</p>

Week 5

Pharmaceuticals, vaccines, and the economics of innovation

Finkelstein, A. (2004). Static and dynamic effects of health policy: Evidence from the vaccine industry. *The Quarterly Journal of Economics*, 119(2), 527-564.

Morton, F. S., & Kyle, M. (2011). Markets for pharmaceutical products. In *Handbook of health economics* (Vol. 2, pp. 763-823). Elsevier.

Goldman, D., & Lakdawalla, D. (2011). Intellectual property, information technology, biomedical research, and marketing of patented products. In *Handbook of health economics* (Vol. 2, pp. 825-872). Elsevier.

DiMasi, Joseph et al. The price of innovation: new estimates of drug development costs. Cost of Innovation in the Pharmaceutical Industry, *Journal of Health Economics* 2003; 22(2):151-185.

Week 6-7

Demand for insurance/Adverse Selection/Moral Hazard

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

Cutler, David, and Sarah Reber, "Paying for Health Insurance: The Tradeoff Between Competition and Adverse Selection," *Quarterly Journal of Economics*, 1998, 113(2), 433-466.

Einav, Liran, and Amy Finkelstein, Selection in Insurance Markets: Theory and Empirics in Pictures, *Journal of Economic Perspectives*, 2011, 25(1), 115-138.

Lo Sasso, Anthony T., and Ithai Z. Lurie, "Community Rating and the Market for Private Non-Group Health Insurance," *Journal of Public Economics* 2009;93(1-2): 264-279.

Pauly, Mark The Economics of Moral Hazard: Comment *American Economic Review* 1968; 58(3):531-537.

Arrow, Kenneth. The Economics of Moral Hazard: Further Comment *American Economic Review* 1968; 58(3):537-9.

Kaestner, Robert, and Anthony T. Lo Sasso, "Does Seeing the Doctor More Keep You Out of the Hospital?" *Journal of Health Economics* 2015;39:259-272.

Optional: Akerlof, George A., "The Market for "Lemons": Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, 1970, 84(3), 488-500.

Optional: Rothschild, Michael and Joseph E. Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information", *Quarterly Journal of Economics*, 1976, 90(4), 629-650.

Week 8

Labor market for physicians

Lo Sasso, Anthony T., David Armstrong, Gaetano Forte, and Susan E. Gerber, "Differences In Starting Pay For Men And Women Physicians Persist; Explanations For The Gender Gap Remain Elusive" *Health Affairs* 2020; 39(2): 256-263.

Lo Sasso, Anthony T., Michael R. Richards, Chiu-Fang Chou, and Susan E. Gerber, "The \$16,819 Pay Gap For Newly Trained Physicians: The Unexplained Trend Of Men Earning More Than Women," *Health Affairs* 2011;30(2):193-201.

Jacobson, M.G., Chang, T.Y., Earle, C.C. and Newhouse, J.P., 2017. Physician agency and patient survival. *Journal of economic behavior & organization*, 134, pp.27-47.

Clemens, Jeff and Joshua Gottlieb. Do Physicians' Financial Incentives Affect Treatment Patterns and Patient Health? *American Economic Review* 2014;104(4):1320-49.

Week 9

Hospital industry

Gaynor, M. and Town, R.J., 2011. Competition in health care markets. *Handbook of health economics*, 2, pp.499-637.

Gaynor M, Moreno-Serra R, Propper C. Death by market power: reform, competition, and patient outcomes in the National Health Service. *American Economic Journal: Economic Policy*. 2013 Nov;5(4):134-66.

Clemens J, Gottlieb JD. In the Shadow of a Giant: Medicare's Influence on Private Physician Payments. *J Polit Econ*. 2017 Feb;125(1):1-39.

Pauly, M. and Redisch, M., 1973. The not-for-profit hospital as a physicians' cooperative. *The American Economic Review*, 63(1), pp.87-99.

Week 10

Health technology assessment and economic cost analysis

Tengs, T. O., Adams, M. E., Pliskin, J. S., Safran, D. G., Siegel, J. E., Weinstein, M. C., & Graham, J. D. (1995). Five-hundred life-saving interventions and their cost-effectiveness. *Risk analysis*, 15(3), 369-390.