Indiana University – Fairbanks School of Public Health
H354 (section 25520) Health Economics
Fall 2013

Instructor: Ann Holmes, Ph.D.  Class Time: MW 3:00-4:15
Office: EF204B  Classroom: IP 208
Phone: 278-1043  Email: @iupui.
Office Hours: W 1:30-2:30 (EF 204B), W 4:15-5:45 (by appt)

Course Description

Objectives: This course applies economics to the study of administrative and policy issues in the health care sector. Economic concepts are used to explain the system of health care financing and the organization of health care delivery in the U.S. The economic evaluation of health care programs is also discussed. By the end of the course, students should

1) recognize the relevance of economics to health and medical care, particularly how price acts as an allocation mechanism;
2) be able to analyze public policy in health and medical care from an economic perspective.

Principles of Undergraduate Learning:

• Core Skills: students will be expected to use information to solve problems that are quantitative in nature (e.g., using data on demand to determine optimal pricing strategies);
• Critical Thinking: students will be expected to evaluate the validity of economic models used in health care decision making and to recognize challenges in the measurement of health and medical care constructs;
• Integration and Application of Knowledge: students will be expected to use economic models to predict the impact of various public and administrative policies on various constituencies;
• Intellectual Development: students will become familiar with deductive reasoning, applying generic economic tools to address specific health policy issues;
• Understanding Society and Culture: students will appreciate how cultural and historical background has shaped the evolution of the health care system both in the US and abroad;
• Values and Ethics: student will be aware of the ethical underpinnings in economic evaluation.

The major emphasis in this course will be on Integration and Application of Knowledge, as assessed through the term paper.

Prerequisite: There is no prerequisite for H354. It is, however, a class grounded in economics, so students with previous exposure to economics (particularly E201) will probably find the material easier to assimilate. There are a number of online tutorials that cover basic microeconomics topics. A very brief one is provided by Investopedia (://www.investopedia.com/university/economics/); Sam Baker provides a more thorough treatment (://www.sambaker.com/econ/).

Texts and Readings:


Supplemental readings are identified in specific lectures in the syllabus. Students should be able to access these through the Internet or under the Resources tab in Oncourse. Students should complete all readings before the start of class and be ready to discuss the assigned material each class meeting.
Assessment:

Grades: will be based on two tests (25% each), one short paper (25%) and a final exam (25%). Additional assignments may be assigned as the instructor deems necessary to gauge performance. Missed (or late) assignments and tests will not be accepted/made up except under legitimate circumstances (e.g. doctor’s excuse). Otherwise, a grade of zero will be assigned.

Grades will be allocated on the following criteria:

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The instructor reserves the right to adjust grades fractionally (e.g., from an A- to an A, or from a B+ to a B) on the basis of contributions to class learning and environment.

Students will have a limited opportunity to earn extra credit (maximum 5%) by taking quizzes given during class (the number of quizzes will be chosen by the instructor, and will be between 3 and 6 in number). Quizzes may or may not be announced, will be administered during the first 10 minutes of class, and will cover the assigned readings for the week during which the quiz is given, or the class material covered in the week prior to the class in which the quiz is given. Quizzes cannot be made up by students who are late or absent during the class in which the quiz is administered without prior approval.


Description of Course Deliverables:

1) Tests – will be conducted in class as closed-book exams and will cover material from assigned readings and lectures. Test 1 is tentatively scheduled for September 23rd, while Test 2 is tentatively scheduled for October 30th.

2) Paper – students will write a short paper on the health care system of a country chosen from a list provided by the instructor. Successful completion of the paper will require the student demonstrate (a) a basic level of numerical literacy needed to gather and assess health-related performance data, (b) information retrieval skills to collect the background and institutional information about the country being studied, and (c) the ability to integrate course material to understand how context and health care institutions explain performance. Details on the required content and format will be distributed later in the semester. Papers will be due December 2nd.

3) Final exam – will be a closed book exam, and is scheduled for December 11th, 3:30-5:30pm.

Any students who, for whatever reason, is unable to sit at least one exam at the regularly scheduled time will be asked to withdraw from the course or receive a failing grade.

Student Course Evaluation: The School of Public Health evaluates all courses. Student course evaluations will be conducted in a manner that maintains the integrity of the process and the anonymity of respondents.
Student Conduct

Academic misconduct:

It is expected that students will be familiar with, and adhere to, policies described in the IUPUI Code of Student Rights, Responsibilities, and Conduct (://www.iupui.edu/code/; summarized in the School’s syllabus addendum. (://www.pbhealth.iupui.edu/aholmes/Syllabus_Addendum.).

Academic misconduct may lead to a failing grade. Because one-quarter of your grade will be based on a short paper, it is particularly important that you understand what constitutes plagiarism and avoid it. The following websites are available for those needing to review this issue:://www.iupui.edu/~webtrain/academic_integrity., ://www.indiana.edu/~wts/pamphlets/plagiarism.

Classroom conduct:

All students are expected to behave in a professional manner. In particular, students will be expected to

1. Come to class on time and remain for the entire class period
2. Come to class prepared to constructively contribute to the learning environment, including having read materials in advance of each class
3. Maintain a professional manner, demonstrating respect to all class members
4. Refrain from using electronic equipment without prior authorization; in particular, mobile devices, including phones, should be turned off and stored during class.

Students who engage in behaviors that are disruptive to class (e.g., arriving late, leaving early, interrupting class with extraneous conversation, cell phone use, etc.), or who behave in a manner that is disrespectful or interferes with others’ learning may be dismissed from class and/or receive a reduced grade.

Students with disabilities

Students needing accommodations because of disability will need to register with Adaptive Educational Services (://diversity.iupui.edu/aes/) and complete the appropriate forms before accommodations will be given.

If you find that emotional stress is interfering with your personal or academic success, IUPUI’s Counselling and Psychological Services (CAPS) may be able to help. All IUPUI students are eligible for counselling for minimal fees. For more information, visit the CAPS website at ://life.iupui.edu/caps./
Part I: Health Care – the Demand Side

August - Lecture 1: Introduction

Objectives: by the end of this class, the student should be able to
- outline the relevance of health economics and the study of resource allocation in health care
- understand facets of the health care “crisis” in the United States
- recognize unique features of health care markets that render standard economic models inappropriate

Readings:
- Hicks, Introduction
  - Review the tools on p xix-xxvi
  - Look up the terms “health”, “externalities”, and “asymmetry of information” in the glossary.

August and - Lectures 2 and 3: Economics Primer

Objectives: by the end of this class, the student should
- understand the basic concepts of graphing data and the relationship with algebraic counterparts
- be familiar with the basic model of demand and supply, and identify market equilibriums

Web exercise:
- if you just need a refresher on economics, review Investopedia’s 
  //www.investopedia.com/university/economics/ (try to ignore the ads as best you can)
- if you need more explanation of some concepts, Sam Baker’s site, //www.sambaker.com/econ/, has a more thorough treatment.

August - Lecture 4: Quantity and Price in Health Care Markets

Objectives: by the end of this class, the student should
- understand the complexities of defining and measuring health (as opposed to health care)
- understand the complexities of measuring price over time and across geographic regions

Readings:
- Hicks, Chap. 1
  - Review sections on measurement (section 1.1 health care, section 1.4 health)

Web exercise:
- Go to //www.bls. Under “Subject Areas” find “Inflation and Prices” and select “Consumer Price Index”; scroll down to the table and select “Top Picks” under “All Urban Consumers (Current Series)”. Choose “All Items,” “Medical Care,” and “Medical Care Services.” Compare the indexes for July 2013. What do they tell you about the relative increase in prices in health care?
September and Lectures 5 and 6: Demand

Objectives: by the end of this class, the student should
- recognize the main factors that affect demand for health and health care
- be able to differentiate between deductibles and copayments
- be able to use a linear demand equation to predict the quantity of health care demanded
- be able to calculate arc elasticities and use these in managerial and policy applications
- be familiar with the findings of empirical studies of demand

Readings:
- Hicks, Chap. 3
  - Focus on factors that affect the demand for health care and elasticity discussion
- Hicks, Chap. 4
  - Focus on section 4.6 that cover the relationship between the demand for health and the demand for health care

  - review the different forms of cost-sharing and how their effects on use depend on type of care being sought.

September and Lectures 7 and 8: Insurance

Objectives: by the end of this class, the student should
- show that full insurance at an actuarially fair premium makes risk averse consumers better off
- understand how moral hazard and adverse selection lead to failures in the health insurance market
- identify institutional responses to these failures, including partial and compulsory insurance

Readings:
- Hicks, Chap. 10
  - Focus on the sections 10.1 to 10.3.4 (role of, and demand for, insurance, and moral hazard) and section 10.6 (adverse selection)
  - Consider different ways insurers set premiums and why they might resist community rating

September - Lecture 9: Review/Spillover

Objectives:
- This class will be used to catch-up or, if we are on schedule, Q&A prior to the first test
- For review, ://quiz.kff.org/uninsured/uninsured-quiz

September - Lecture 10: Test 1
Part II: Health Care – the Supply Side

September - Lecture 11: Health Manpower I – Market Structure

Objectives: by the end of this class, the student should be able to
- distinguish between competitive, monopolistic and monopsonistic market structures
- compare how different market structures affect the level of wages and employment

Readings:
- Hicks, Chap. 11 (labor markets)
  o You may also find it useful to review the material on competitive firms (Chap. 6.1, 6.2.1), competitive markets (Chap. 8.1 to 8.3), and non-competitive markets (Chap. 9.1 to 9.3)

Web exercise:
- You might find it helpful to review the marginal revenue and monopoly sections of Sam Baker’s on-line tutorial: //www.sambaker.com/econ/monopoly/mon.

September - Lecture 12: Health Manpower II – Physician Markets

Objectives: by the end of this class, the student should be able to
- explain how asymmetric information creates the potential for supplier induced demand
- explain how price affects physician behavior, including choice of specialty and services provided

Readings:
- Hicks, Chap. 7.3 (focus physician payment), Chap 8.6 (supplier induced demand)

October and - Lectures 13 and 14: Hospitals

Objectives: by the end of this class, the student should be able to
- summarize key institutional features of the hospital sector
- explain the behavior of non-profit hospitals and the nature of competition in this sector

Readings:
- Hicks, Chap. 6 (especially 6.5) and Chap. 7 (sections 4 and 5 on payment)
  (you may also find a review of concepts in Chap. 5 regarding marginal costs, economies of scale, and economies of scope helpful)

Note: October 11, 2013 is the last day to drop with an automatic W
October and - Lectures 15 and 16: Model of the Health Care Market
(October – Fall Break)

Objectives: by the end of this class, the student should be able to
- understand how the multilateral nature of health care transactions creates incentive problems
- be familiar with the literature on the effectiveness of managed care on controlling costs

Readings:
- Hicks, Chap 7 (sections 7.7 and 7.8 on managed care)
  o consider the different competitive strategies employed by Indianapolis-area hospitals

October and – Lectures 17 and 18: International Comparisons

Objectives: by the end of these classes, the student should be
- be familiar with the relative performance of different health care delivery systems abroad
- understand the cultural, political, and economic forces that drove the evolution of these health care institutions

Readings:
  o explores what cost control strategies from abroad could be considered by the U.S. (podcast)

Web exercise: a good place to start looking for data for your paper would be
- The OECD (.oecd.; search for “OECD Health Data 2013), and select “Frequently requested data”.

October - Lecture 19: Review/Spillover

Objectives:
- This class will be used to catch-up or, if we are on schedule, review topics since the first test

October - Lecture 20: Test 2
Part III: Special Topics (tentative)

November, and - Lectures 21 to 24: US Health Care Policy – Access, Costs, and Reform Prospects

Objectives: by the end of these classes, the student should be able to

- understand financing issues in government health care programs, particularly Medicare
- identify the goals of government reforms of health care programs
- critically evaluate the PPACA as a solution to these problems

Readings:

- Hicks, Chap. 16 and Chap. 18
- (optional) Gruber, reread now that you have had an exposure to the basic concepts being discussed.
- Song Z, Lee TH. The era of delivery system reform begins. JAMA 2013: 309(1); 35-6. Available through Oncourse.
  - Next steps for healthcare reform
- Wall JK. Already a wreck, the worst is yet to come with Obamacare. Indianapolis Business Journal, August 3, 2013.
  - Raises some pros and cons of healthcare reform from a local perspective.

Web Exercise:

- For review, ://healthreform.kff.org/quizzes/health-reform-quiz.

November, , and December - Lectures 25 to 28: Economic Evaluation

Objectives:

Lecture 25: Types of Evaluation

- distinguish between cost-benefit analysis and cost-effectiveness analysis
- frame economic evaluation questions appropriately
- construct simple decision trees to identify data requirements for such questions

Lecture 26: Valuing Inputs

- distinguish between average and marginal costs, and opportunity costs and charges
- identify shared inputs and durable inputs and understand why they require special treatment
- find present values of costs that occur over time

Lecture 27: Valuing Benefits
• identify the advantages and disadvantages of measuring benefits using clinical units (years of life), QALYs (quality adjusted life years), and dollar equivalents

Lecture 28: Decision Statistics
• understand the decision rule and underlying ethics of cost-benefit decision rules
• understand the decision rule and underlying ethics of cost-effectiveness decision rules
• understand simple sensitivity analysis and threshold analysis

Readings:

- Hicks, Chap. 12

Web exercise: Visit the CDC website and work through the economic evaluation tutorials: 
://www.cdc.gov/owcd/EET/Preface/Fixed/Preface

December – Lecture 29: Economics of Organ Transplants (tentative)

Objectives: by the end of these classes, the student should be able to
• Class discussion of the main economic issues underlying the market for human organs

Readings:

://www.nytimes.com/2006/07/09/magazine/09wwln_freak.html?_r=2&ex=1156305600&en=3a9b5aea29d09253&ei=


December - Lecture 30: Review/Spillover

Objectives:
• This class will be used to catch-up or, extend the discussion of the previous two topics, or review

December, 2013; 3:30-5:30: Final exam