
Required Readings: Course Pack Available in Book Store

COURSE DESCRIPTION:
The purpose of this course is to demonstrate how economists think about and analyze health and medical care issues. The course emphasizes the distinction between health as an output and medical care as one input into the production of health. This distinction leads to a discussion of models of the production of health, the demand for health and the demand for medical care. Specific topics include the economic, social, and demographic factors determining the demand for medical care, the production and supply of various kinds of medical care services, the financing of medical care services and alternative systems of health care delivery and financing. The role of and economic justification for government involvement in the medical care system will be analyzed. The course includes in-depth analyses of the structure, conduct, and performance of the markets for private health insurance, physician services, hospital services, and pharmaceuticals.

COURSE OBJECTIVES:
The course objectives are to: (1) make you aware of the important economic issues in the health care industry; (2) provide you with the economic concepts and tools that can be used to better understand these issues; and (3) discuss the likely consequences of government regulation and market competition on the operation and performance of the health care industry.

COURSE PREREQUISITES:
The course prerequisite is Microeconomic Theory (EC201 or EC203). This course is designed for students with a good grasp of microeconomic theory. If you have doubts about whether your economics background is appropriate for the course, please consult with me.

COURSE REQUIREMENTS AND GRADING:
There will be two exams: a midterm exam and a final exam. You will also be required to do a mini-research paper. The exams and the paper will each account for one-third of your grade. Make-up exams will be given only under extraordinary circumstances.

ACADEMIC INTEGRITY:
The academic enterprise at Boston College assumes academic integrity, which in this course means that all your work on your exams and your paper is your own, and that you appropriately reference the work of others in your paper. Always err on the side of citation! Violations of academic integrity will be reported to your class dean and then reviewed by the College of Arts and Sciences Academic Integrity Committee. Consequences can be very serious. I urge you to review university policy and procedures at: http://www.bc.edu/integrity. If you have any questions, please consult with me.
COURSE OUTLINE

A. Basic Health Care – Economic Tools and Institutions

1. Health and Medical Care: an Economic Perspective (Sept. 8-10)
   Text – Chapters 1 and 2

2. Cost-Benefit Analysis and Health Care Systems & Institutions (Sept. 15-17)
   Text – Chapters 3 and 4
   David M. Cutler and Mark McClellan, “Is Technological Change in Medicine Worth It?,” Health Affairs, Volume 20, Number 5, (September/October 2001), pp. 11-29.

3. The Demand for Medical Care (Sept. 22-24)
   Text – Chapter 5

4. The Demand for Medical Insurance – Traditional and Managed Care Coverage (Sept. 29-Oct. 1)
   Text – Chapter 6

5. Medical Production and Costs (Oct. 6-8)
   Text – Chapter 7
   Text – Chapter 8  

   *** **Midterm Exam – Tuesday, Oct. 20***

**B. The Role of Government**

7. **Government, Health and Medical Care (October 22)**  
   Text – Chapter 9

8. **Government as Health Insurer (Oct. 27-29)**  
   Text – Chapter 10  

**C. Industry Studies**

9. **The Private Health Insurance Industry (Nov. 3-5)**  
   Text – Chapter 11  

10. **The Physician Services Industry (Nov. 10-12)**  
    Text – Chapter 12  
11. The Hospital Services Industry (Nov. 17-19)
   Text – Chapter 13

12. The Pharmaceutical Industry (Nov. 24-Dec.3)
   Text – Chapter 14

D. Health Care Reform

13. Health Care Reform (Dec. 8-10)
   Text – Chapter 16

*** Final Exam – Monday, December 21 - 9 AM ***

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Office Hours: Tuesday and Thursday – 10:30 to 11:30 AM or by appointment.
The purpose of the paper is to present your plan for reforming the American health care system. The paper should have four sections:

I. Introduction

Its purpose is to outline what you intend to accomplish in the paper. The importance of the issue being analyzed or addressed should be made clear at this point. (Perhaps, some telling statistics bearing on the issue can be cited.) In addition, briefly explain the structure of the paper and state the major conclusions at the end of this section. It should include a statement of the basic underlying philosophy or approach of your reform proposal (i.e., single-payer, managed competition, etc.) and your justification for taking that approach.

II. The "New" American Health Care System

In this section you should present your plan for reforming the American health care system. It should include the following:

a) Who is Covered and How (Does it achieve universal coverage?)
b) The Core or Basic Benefits Provided (Does it include long term care benefits?)
c) Financing - Who Pays and How
   1) Role of Employers
   2) Role of Insurance Companies
   3) Role of Government
d) Administrative Costs of Plan
e) Cost Control Mechanisms
   1) Demand-side mechanisms (e.g., cost sharing and deductibles)
   2) Supply-side mechanisms (e.g., hospital budgets, negotiated fee-for service, increased competition, etc.)
f) Impact on Quality of Care
g) Estimate of Plan's Net Overall Costs
   Increase in costs due to, e.g., expanded coverage and/or benefits
   Decrease in costs due to, e.g., lower administrative costs

III. Comparison with Plans Currently Being Considered by the Congress

In this section you should compare your plan with the plans that are currently being considered by the U. S. Congress. In each case you should point out the advantages of your plan and the disadvantages or shortcomings of the other plans.

IV. Summary and Concluding Remarks
In this section you should a) briefly summarize the major reasons why your proposed plan for reforming the American health care system should be adopted by Congress and b) speculate on the type of plan that you actually believe the Congress will adopt and Congress's reasons for adopting such a plan.

The preliminary research for your paper should start with a perusal of the articles on the reading list. Be sure to look at the bibliographies and footnotes in each article as a starting point for further research. Many scholarly journals in various academic disciplines as well as popular magazines and newspapers contain articles on health care. In addition there is a wealth of studies done by federal government agencies; in particular, the U.S. Department of Health and Human Services, the Congressional Budget Office and various committees of the U.S. Congress.

Data on the American health care system can be found in *Health, United States, 2008* published by the National Center for Health Statistics [www.cdc.gov/nchs/data/hus/hus08.pdf](http://www.cdc.gov/nchs/data/hus/hus08.pdf). Another good source of domestic health data is the *Statistical Abstract of the United States*. International health data are published by the United Nations, the World Health Organization (WHO) and the Organization for Economic Cooperation and Development (OECD). An excellent source for current health care data is the Kaiser Family Foundation [www.kff.org/](http://www.kff.org/). It is also an excellent source for health policy analysis. Another good source for data and policy analysis is The Commonwealth Fund [http://www.commonwealthfund.org/](http://www.commonwealthfund.org/). Both KFF and The Commonwealth Fund tend to be left of center in terms of their policy analyses and recommendations. An excellent source for health policy analyses and recommendations that tends to be right of center is the Cato Institute [www.healthcare.cato.org/](http://www.healthcare.cato.org/). Below is a partial list of health journals that contain studies on health care and/or health data.

**HEALTH JOURNALS**

The Journal of Health Economics  
The Journal of Health Politics, Policy and Law  
Health Affairs  
Health Economics  
Health Care Financing Review  
The New England Journal of Medicine  
The Journal of the American Medical Association  
Hospitals  
Social Security Bulletin  
American Journal of Public Health  
Health Services Research

**GUIDELINES FOR PREPARATION OF PAPER**

1. Papers must be typed and should be double-spaced with margins of at least 1 inch all around.  
2. Papers should be approximately 6 to 8 pages not including the cover page and the final page, which should contain a list of references (REFERENCES).  
3. All citations should appear in the body of the paper. The last name of the author (or the title of the publication if there is no author listed), the year of publication, and the page numbers should appear in parentheses at the end of the appropriate sentence.

*Example A*: In 1984 median family income in the U.S. was $26,433 (Economic Report of the President, 1986, p. 286).

*Example B*: Contrary to popular belief, the vast majority of politicians do accept contributions
from political action committees (Jones, 1984, pp. 112-114).
4. Footnotes should be used only for further explanation of statements appearing in the text of your paper.

***DUE DATE – THURSDAY, DECEMBER 11***