Economics 385
Health Economics
Spring 2012

Professor Norma Coe
Office Phone: 617-552-6783
Email: norma.coe@bc.edu
Meeting: TTH 4:30-5:45pm
Office: Hovey House, room 201
Office hours: 6-7pm, TTH, or by appointment

Graduate Assistant: Yat Fung Wong


Required Readings: Available on blackboard. Readings may be added, substituted, or removed throughout the semester at my discretion. Announcements will be made in class and on blackboard.

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 analysis 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 a midterm exam, a final exam, and a research paper. Each will carry equal weight in accounting for your final grade. The midterm and final may include multiple choice, math/graphing exercises (similar to those in the textbook), and at least one essay. Make-up exams will be given only under extraordinary circumstances.

Reading the assigned materials before class is required, so that we can have fruitful class discussions. Class participation is mandatory – if it seems like students are coming to class unprepared, unannounced quizzes will be given. These quizzes will account for 10 percent of your grade each, up to 40 percent. If more than 4 quizzes are given, the quizzes will account for equal weight for 40 percent of the grade, with the midterm, final, and paper each at 20 percent.

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
Week 1
Introduction – Microeconomic Tools in Health Economics
Text – Chapters 1, 2, 3

Week 2
Demand for Medical Care and Medical Insurance
Text: Chapters 4, 5, 6

Cutler & Zeckhauser. 1998. “Adverse Selection in health insurance”

Week 3
Health and SES


Week 4
Private Health Insurance Market
Text – Chapter 11

Manning et al. AER 1987

Gruber. 2006. Kaiser Family Foundation paper, October, lesson from RAND.

Cutler and Reber QJE 1998

Week 5
Medicare
Text – Chapters 6 (pages 155-162), 9 and 10


Week 6
Medicaid & SCHIP

Week 7 –
**Market Structure**
Text: Santerre & Neun: Ch.8: Structure, Conduct, Performance, and Market Analysis

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Midterm (Week 1-Week 6)

Week 8 – Spring Break

Week 9 –
**Physicians**
Text – Chapters 7&12


Gruber and Owing RAND 1996


Week 10 –
**Hospitals & Malpractice**
Text – Chapter 13


Kesler and McClellan QJE 1996.

Week 11 –
**Pharmaceuticals & Technology**
Text – Chapter 14


Berndt JEP 2002

**Week 12 – Long-term care & LTC insurance**
Kane, Robert L., and Rosalie Kane. “What Older People Want from Long-Term Care, and How They Can Get It,” Health Affairs 20(6), 2002: 114-127.


**Week 13 – International Comparisons**


**Weeks 14 & 15 – Health reform**
Text – Chapter 16


Week 16 –
May 1 -- Catch up - Review for Final
   Paper due
May 3 – no class

*** Final Exam – TUESDAY, MAY 8th, 4:30pm ***
RESEARCH PAPER

How Should the U.S. Contain Health Care Costs?

In March 2010, President Obama signed into law comprehensive health care reform legislation, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act (ACA). The goals of the ACA are to increase access, control costs and increase the quality of care. But the ACA only includes what was negotiated by Congress -- there are a wide variety of ways to contain health care costs currently used or proposed in different countries and states, many of which were discussed prior to the ACA passage.

For your paper, you must pick 1 method of cost containment used (or proposed) in the US or internationally. Discuss its success/proposed success in its current location, and discuss how that method would work for the U.S. as a whole.

Your paper should have four sections:
I. Introduction
In this section you should state clearly what you intend to accomplish in the paper, including the importance of the issue being analyzed. In addition, you should briefly explain the structure of the paper and state the major conclusions of your analysis.

II. The Cost Containment Method
What is it? Who uses it? How effective is it? Why, in economic terms, it is (not) so effective? Who and/or what groups benefited/were hurt by the implementation?

III. Can it be Successfully Applied to the US as a Whole?
Would it work? What is necessary for it to work? Who would be affected? Would it be passed by Congress? Explain in detail.

IV. Summary and Concluding Remarks
In this section you should briefly summarize your major findings and state clearly whether or not you believe that the chosen cost containment method should have been included in ACA.

GUIDELINES FOR PREPARATION OF PAPER
1) Papers must be typed, double-spaced, with margins of 1 inch all around.
2) Papers CANNOT EXCEED 5 pages, not including the cover page and the reference page(s). I will stop reading at the end of page 5, and grade accordingly.
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), and the year of publication should appear in parentheses at the end of the appropriate sentence.
4) Footnotes should be used only for further explanation of statements appearing in the text of your paper.

***DUE DATE – TUESDAY, MAY 1***