Economics 307  
Economics of Medical Care  
Fall 2020

Instructor  
Frank Limbrock  
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Lectures: Tue, Thur 1:00 pm – 2:20 pm, Zoom  
Office hours: Fridays 2:00-3:30 pm (Zoom) or by appointment

Teaching Assistant  
Honn Tai Lam  
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TA sections: Fri 1:00-1:50 pm (Zoom)  
Office hours: Wed 3:00-4:00 pm (Zoom)

Course Description  
This class will help students understand the key economic forces that have shaped the US health care and health insurance industry. What role do the particularities of health care and health insurance as economic goods play in explaining the size and growth rate of the health care sector? What's the effect of private incentives, adverse selection, moral hazard, and regulation? What's the effect of different organizational structures of health care provision? What can we learn from comparing the US health care / health insurance system to other countries' systems? Students will learn how a better understanding of these issues can inform the current public policy discussion.

Prerequisites  
Economics 281, 310-1

Mode of Instruction  
All lectures and discussion sections will be exclusively taught online via zoom.

Students are strongly encouraged to attend classes live, at the times given above. However, students who cannot attend classes live (e.g. due to time zone or internet connectivity issues) will get access to video recordings:

“This class or portions of this class will be recorded by the instructor for educational purposes. These recordings will be shared only with students enrolled in the course and will be deleted at the end of the end of the Fall Quarter, 2020 course. Your instructor will communicate how you can access the recordings.

Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact AccessibleNU. Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University’s Copyright Policy, faculty own the copyright to instructional materials – including those resources created specifically for
the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display, or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording, or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.”

**Grading**

Grading is based on the final take-home (45%), midterm take-home (35%), and class participation (20%), which includes 5 problem sets (due dates see below).

The midterm take-home will be due on **Friday, October 23, 4:00 pm CST**. The final take-home will be due on **Thursday, December 3, 11:00 am CST**. Problem sets and take-homes will be submitted through Crowdmark.

The problem sets will be due at **10:00 am CST** on the following dates:
- October 2
- October 16
- October 30
- November 6
- November 20

**Readings and Textbook**

This course will feature readings from these textbooks:
- Bhattacharya, Hyde and Tu: “Health Econoomics”, 2013 ("BHT")

All the readings from the above textbooks are available under the “Course Reserves” tab on Canvas. Since the topic of health care reform is a subject of ongoing debate, I will also post supplemental articles of interest on Canvas. Other readings are available online. For some articles, such as those hosted by scholarly journals or on JSTOR, you will need to access the papers (through the links below) while on campus or via using Northwestern VPN. Northwestern University covers the subscription fees to access these resources.

**Academic accommodation**

Any student with a verified disability requiring special accommodations should speak to me, in office hours or via email, and to the AccessibleNU (847-467-5530) as early as possible in the quarter, ideally in the first week, to arrange appropriate accommodation. All discussions with me and with AccessibleNU will remain confidential.
Course Outline

1. September 17: Introduction
   - FGS, pp. 1-17; Gruber, pp. 419-431

2. September 22: Cost-Benefit analysis, Valuing Health
   - Henderson, pp. 110-121; SN, pp. 83-100
   - Phillips, Ceri, 2009, “What is a QALY?”
   - Pricing Human Life blog post by Uwe Reinhardt

3. September 24: The ‘Production’ of Health I
   - FGS, pp. 85-102; Deaton, pp. 59-73, 81-100
   - Buxbaum, Jason D, et al, “Contributions Of Public Health, Pharmaceuticals, And Other Medical Care To US Life Expectancy Changes, 1990-2015”, Health Affairs, 39(9), 1546-1556

4. September 29: The ‘Production’ of Health II

5. October 1: The Production, Cost and Technology of Health Care
   - FGS, pp. 105-113
   - Card, David, Dobkin, Carlos, and Nicole Maestas: “Does Medicare Save Lives?”, NBER WP No. 13668
   - Cutler, D, and McClellan, M, 2001 “Is Technological Change in Medicine Worth It?”, Health Affairs 20(5), 11-29

6. October 6: Consumer choice Theory and Demand for Health Care, I
   - BHT, pp. 8-23; FGS, pp. 173-180
7. October 8: Consumer choice Theory and Demand for Health Care, II
   • Manning, Willard, et al., 1987 “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment”, American Economic Review 77(3), 251-277

8. October 13: Health Insurance I
   • BHT, pp. 126-137
   • Buchmueller, T. 2006, “Consumer Demand for Health Insurance” NBER Research Summary

9. October 15: Health Insurance II
   • Gruber, J. 2006, “The Role of Consumer Copayments for Health Care: Lessons from the RAND Health Insurance Experiment and Beyond”, Kaiser Family Foundation

10. October 20: Health Insurance III: Asymmetric Information
   • BHT, pp. 141-155

11. October 22: Health Insurance IV, Managed Care
   • FGS, pp. 236-245; Henderson, pp. 210-222
   • Frakt, Austin, “Accountable Care Organizations: Like H.M.O.s, but Different”, NYT

12. October 27: Health Insurance V, Health insurance and the labor market, discrimination, rationing
   • Blumberg, L. 1999, “Perspective: Who Pays For Employer-Sponsored Health Insurance?” Health Affairs, 18(6), 58-61

13. October 29: Hospitals, Pay-for-performance, Nonprofits
   • BHT pp. 100-119, SN pp. 397-428
   • Cooper, Zack, et al., “The Price Ain’t Right? Hospital Prices and Health Spending on the Privately Insured”, NBER WP 21815
- SN pp. 364-375

15. November 5: The pharmaceutical industry, Health Care and Technological Change, the Health Care Quadrilemma
- Aitken, M, et al., 2016, “Has The Era Of Slow Growth For Prescription Drug Spending Ended?”, Health Affairs
- Congressional Budget Office, 2008, “Technological Change and the Growth of Health Care Spending”

16. November 10: Health Care and Technological Change
- Congressional Budget Office, 2008, “Technological Change and the Growth of Health Care Spending”

17. November 12: The effects of Government Intervention in Health Care Markets
- Brown, David, Kowalski, Amanda, Lurie, Ithai, “Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?”, NBER WP 20835

18. November 17: Comparative Health Care Systems and Health Care Reform, Part I

19. November 19: Comparative Health Care Systems and Health Care Reform, Part II
- Sommers, B, et al., 2017 “Health Insurance Coverage and Health – What the Recent Evidence Tells Us”, NEJM 377(6), 586-593
- Readings available on Canvas prior to class

20. November 24: Comparative Health Care Systems and Health Care Reform, Part III; Review
- Readings available on Canvas prior to class