Economics 307  
Economics of Medical Care  
Spring 2019

Instructor  
Professor Frank Limbrock  
KGH 3495  
847 491 8678  
f-limbrock@kellogg.northwestern.edu  
*Lectures:* Mon, Wed 11:00 am – 12:20 pm, Harris Hall L 07  
*Office hours:* Fri 1:30-2:45 pm or by appointment

Teaching Assistant  
Aleksandra (Ola) Paluszynska  
apal@u.northwestern.edu  
*TA sections:* Fri 11:00 am – 12:20 pm, Harris Hall L 07  
*Office hours:* Tue 12:30-1:00pm, Thur 12:00 pm – 1:30pm, KGH 3198

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

Grading  
Grading is based on the final exam (45%), midterm (35%) and class participation (20%), which includes 5 problem sets (due dates see below).  
The midterm (60 minutes) will be on May 1, during our normal meeting time. The final exam will be on Wednesday, June 12 from 7:00 pm – 9:00 pm and will cover the entire class.  
Should a student miss the midterm due to documented illness, the entire percentage weight of the midterm will be transferred to the final exam for that student.

The problem sets will be due at **11:00 am** on the following dates:  
- April 12  
- April 26  
- May 10  
- May 17  
- May 24
Readings and Textbook
This course will feature readings from these textbooks:

- Bhattacharya, Hyde and Tu: “Health Economics”, 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 clickable links below) while on campus or via using Northwestern VPN. Northwestern University covers the subscription fees to access these resources.

Academic or athletic accommodation
Any student with a verified disability requiring special accommodations should speak to me, in office hours or via email, and to the Office of Services for Students with Disabilities (847-467-5530) as early as possible in the quarter, ideally in the first week, to arrange appropriate accommodation. Students on Northwestern varsity athletic teams who anticipate an exam conflict due to an NCAA event should work with Margaret Akerstrom (m-akerstrom@northwestern.edu) in Academic Services and ask her to contact me on your behalf. All discussions with me, with the Office of Services for Students with Disabilities and with Academic Services will remain confidential.

Electronic Device Policy
Use of electronic devices in class is only permitted for the purpose of taking notes.

Course Outline

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

2. April 3: 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. April 8: The ‘Production’ of Health
   - FGS, pp. 85-102; Deaton, pp. 59-73, 81-100;
4. April 10: The Production, Cost and Technology of Health Care
   - Card, David, Dobkin, Carlos, and Nicole Maestas: “Does Medicare Save Lives?”, NBER WP No. 13668

5. April 15: Demand for Health Care

6. April 17: Consumer choice Theory and its Implications for Health Care Demand
   - BHT, pp. 8-23; FGS, pp. 173-180
   - Robinson, J and Ginsburg, P., 2009, ”Consumer-Driven health Care: Promise and Performance”, Health Affairs 28(2), w272-w281

7. April 22: Health Insurance I
   - Buchmueller, T. 2006, “Consumer Demand for Health Insurance” NBER Research Summary

8. April 24: 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

9. April 29: Health Insurance III, Managed Care
   - Frakt, Austin, “Accountable Care Organizations: Like H.M.O.s, but Different”, NYT
10. May 1: Midterm

11. May 6: Health Insurance IV, 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

12. May 8: 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

13. May 13: Physicians
   • SN pp. 364-375

14. May 15: The pharmaceutical industry, Health Care and Technological Change, the Health Care Quadrilemma
   • BHT pp. 230-236; FGS pp. 354-364; Henderson pp. 288-308
   • 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”

15. May 20: The effects of Government Intervention in Health Care Markets
   • BHT pp. 384-393, FGS pp. 440-451, Gruber pp. 453-476
   • Baicker, K, and Chandra, A, 2004, “Medicare Spending, The Physician Workforce, And Beneficiaries’ Quality of Care”, Health Affairs
   • Brown, David, Kowalski, Amanda, Lurie, Ithai, “Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?”, NBER WP 20835
   • Wherry, I.R: Miller, S; Kaestner, R; Meyer, Bruce D: “Childhood Medicaid Coverage and later life health care utilization”, NBER WP 20929
   • Anderson, G, et al., 2003, “It’s The Prices, Stupid: Why The United States Is So Different From Other Countries”, Health Affairs, 22(3), 89-105

17. May 29: 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

18. June 3: Comparative Health Care Systems and Health Care Reform, Part III; Review
   • Readings available on Canvas prior to class

Final Exam: June 12, 7:00 pm – 9:00 pm