Economics 307  
Economics of Medical Care  
Winter 2020

Instructor
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Lectures: Tue, Thu 2:00 PM – 3:20 pm, University Hall 122  
Office hours: Fri 1:30-3:00 pm or by appointment

Teaching Assistant
Honn Tai Lam  
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TA sections: Fri 11:00 am – 11:50 am and 1:00pm-1:50 pm, Searle 3220  
Office hours: Wednesdays 1:00-2:30pm, KGH 3496

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 February 6, during our normal meeting time. The final exam will be on Thursday, March 19 from 12:00 noon – 2:00 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:

- January 17
- January 31
- February 14
- February 21
- March 6
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. January 7: Introduction
- FGS, pp. 1-17; Gruber, pp. 419-431

2. January 9: 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. January 14: The ‘Production’ of Health
   • FGS, pp. 85-102; Deaton, pp. 59-73, 81-100;

4. January 16: 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

5. January 21: Consumer choice Theory and Demand for Health Care, I
   • 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

6. January 23: Consumer choice Theory and Demand for Health Care, II

7. January 28: Health Insurance I
   • BHT, pp. 126-137
   • Buchmueller, T. 2006, “Consumer Demand for Health Insurance” NBER Research Summary
   • Gruber, J. 2006, “The Role of Consumer Copayments for Health Care: Lessons from the RAND Health Insurance Experiment and Beyond”, Kaiser Family Foundation
   • Carroll, Aaron E., “Even a Modest Co-Payment Can Cause People to Skip Drug Doses”, *The New York Times*, Nov 11, 2019

8. January 30: Health Insurance II
   • BHT, pp. 141-155
9. February 4: Health Insurance III, Managed Care
   • FGS, pp. 236-245; Henderson, pp. 210-222
   • Frakt, Austin, “Accountable Care Organizations: Like H.M.O.s, but Different”, NYT

10. February 6: Midterm

11. February 11: 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. February 13: 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. February 18: Physicians
   • SN pp. 364-375

14. February 20: 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. February 25: 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

16. February 27: Comparative Health Care Systems and Health Care Reform, Part I
- 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. March 3: 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. March 5: Comparative Health Care Systems and Health Care Reform, Part III; Review
- Readings available on Canvas prior to class

Final Exam: March 19, 12:00 noon - 2:00 pm