Economics 307
Economics of Medical Care
Winter 2023

Instructor
Frank Limbrock
KGH 3495
847 491 8678
f-limbrock@kellogg.northwestern.edu
Lectures: Tue, Thur 3:30 pm– 4:50 pm, Harris Hall L07
Office hours: Fri 2:00-2:50 pm or by appointment

Teaching Assistant
Chase Williamson
charleswilliamson2027@u.northwestern.edu
TA sections: Fri 1:00 pm – 1:50 pm, Harris Hall L07
Office hours: Thur 1:30-3:20, 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

Mode of Instruction
We will make every effort to have instruction in-person, to the extent possible under the evolving circumstances. Please help by following the University’s policies:

COVID-19 Classroom Expectations Statement
Students, faculty, and staff must comply with University expectations regarding appropriate classroom behavior, including those outlined below and in the COVID-19 Expectations for Students. With respect to classroom procedures, this includes:

- Policies regarding masking and social distancing evolve as the public health situation changes. Students are responsible for understanding and complying with current University, state and city requirements.
- In some classes, masking and/or social distancing may be required as a result of an Americans with Disabilities Act (ADA) accommodation for the instructor or a student in the class even when not generally required on campus. In such cases, the instructor will notify the class.

If a student fails to comply with the COVID-19 Expectations for Students or other University expectations related to COVID-19, the instructor may ask the student to leave the class. The instructor is asked to report the incident to the Office of Community Standards for additional follow-up.

Exceptions to Class Modality
Class sessions for this course will occur in person. Individual students will not be granted permission to attend remotely except as the result of an Americans with Disabilities Act (ADA) accommodation as determined by AccessibleNU.
Maintaining the health of the community remains our priority. If you are experiencing any symptoms of COVID do not attend class and update your Symptom Tracker application right away to connect with Northwestern’s Case Management Team for guidance on next steps. Also contact the instructor as soon as possible to arrange to complete coursework.

Students who experience a personal emergency should contact the instructor as soon as possible to arrange to complete coursework.

Should public health recommendations prevent in person class from being held on a given day, the instructor or the university will notify students.

Guidance on Class Recordings
This class or portions of this class will be recorded by the instructor for educational purposes. Your instructor will communicate how members of the class can access the recordings. Portions of the course that contain images, questions or commentary/discussion by students will be edited out of any recordings that are saved beyond the current term.

Prohibition of Recording Classes by Students
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.

Accessibility Statement
Northwestern University is committed to providing the most accessible learning environment as possible for students with disabilities. Should you anticipate or experience disability-related barriers in the academic setting, please contact AccessibleNU to move forward with the university’s established accommodation process (e: accessiblenu@northwestern.edu; p: 847-467-5530). If you already have established accommodations with AccessibleNU, please let me know as soon as possible, preferably within the first two weeks of the term, so we can work together to implement your disability accommodations. Disability information, including academic accommodations, is confidential under the Family Educational Rights and Privacy Act.

Academic Integrity Statement
Students in this course are required to comply with the policies found in the booklet, "Academic Integrity at Northwestern University: A Basic Guide". All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content. For details regarding academic integrity at Northwestern or to download the guide, visit: https://www.northwestern.edu/provost/policies/academic-integrity/index.html

Support for Wellness and Mental Health
Northwestern University is committed to supporting the wellness of our students. Student Affairs has multiple resources to support student wellness and mental health. If you are feeling distressed or overwhelmed, please reach out for help. Students can access confidential resources through the Counseling and Psychological Services (CAPS), Religious and Spiritual Life (RSL) and the Center for Awareness, Response and Education (CARE).

Additional information on all of the resources mentioned above can be found here:
https://www.northwestern.edu/counseling/
https://www.northwestern.edu/religious-life/
https://www.northwestern.edu/care/
Grading
Grading is based on the final exam (45 %), midterm exam (35 %), and class participation (20 %),
which includes 5 problem sets (due dates see below).

The midterm is on Tuesday, February 7 during the regular class time. The final will be on
Wednesday, March 15, at 7:00 pm.

The problem sets will be due at 11:00 am on the following dates:

- January 20
- February 3
- February 17
- February 28
- March 7

Readings and Textbook
This course will feature readings from these textbooks:

- Bhattacharya, Hyde and Tu: “Health Economics”, 2013 (“BHT”)
  (“FGS”) (6th ed (2012)

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.

Course Outline

1. January 5: Introduction
   - FGS, pp. 1-17; Gruber, pp. 419-431
   - Sanger-Katz, Margot, “In the U.S., an Angioplasty Costs $32,000. Elsewhere? Maybe $6,400”, The
   New York Times, Dec 27, 2019

2. January 10: 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
     March 25, 2016
3. **January 12: The ‘Production’ of Health I**
   - FGS, pp. 85-102; Deaton, pp. 59-73, 81-100;

4. **January 17: The ‘Production’ of Health II**

5. **January 19: 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. **January 24: 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

7. **January 26: Consumer choice Theory and Demand for Health Care, II**

8. **January 31: 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

9. **February 2: Health Insurance II: Asymmetric Information**
   - BHT, pp. 141-155

10. **February 7: Midterm**
11. February 9: 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

12. February 14: 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

13. February 16: 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

14. February 21: Physicians
   • SN pp. 364-375

15. February 23: 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

16. February 28: Health Care and Technological Change
   • Congressional Budget Office, 2008, “Technological Change and the Growth of Health Care Spending”
17. March 2: 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
- Sommers, B, et al., 2017 “Health Insurance Coverage and Health – What the Recent Evidence Tells Us”, NEJM 377(6), 586-593

18. March 7: Comparative Health Care Systems and Health Care Reform

- 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
- Readings available on Canvas prior to class

March 15: FINAL EXAM