

College of Public Health & Health Professions**HSA 6436: Health Economics
Spring 2014**

Tuesday 9:35-11:30 (HPNP G114) and Thursdays 10:40-11:30 (HPNP G312)

Instructor Information

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Course Overview

This course is intended to give you an understanding of and appreciation for the traditional issues in health economics. The topics to be covered are: the role of prices, the production of health, the demand for health care, health insurance theory, the demand for health insurance, the health insurance market and managed care, the market for physicians' services, production and cost of health care in hospitals and nursing homes, labor issues, pharmaceuticals, cost effectiveness analysis, equity and efficiency, role of government in the health economy, international comparisons, Medicaid and Medicare, and national health insurance and reform.

The course relies on the use of conventional microeconomic analytical tools. If you did not take an undergraduate level microeconomics course, a supplemental undergraduate microeconomics textbook or Schaum's Outline of Microeconomics is advised. You should also have a basic knowledge of fundamental descriptive and analytical statistics. You will not be expected to know calculus.

Course Objectives

Upon completion of the course, students should complete the following objectives:

1. Understand current health economics issues, their historical origins, and their development.
2. Analyze health economics problems using rudimentary tools and show examples of how these tools are used by economists to analyze specific issues.
3. Appreciate the trade-offs inherent in almost all policy solutions.

4. Recognize the shortcomings and criticisms of the various models used to analyze the key health economics issues.

Targeted Competencies

- Continually scan and interpret key trends and activities in the health care environment.
- Apply general and health economics concepts and show demonstrated competence with analyses of pricing, service demand, and risk.
- Use statistical and analytical tools to measure and improve organizational performance.

Required Textbook

Santerre RE and Neun SP, Health Economics: Theories, Insights, and Industry Studies (6th Ed.) Thomson South-Western, 2012.

Required Readings

Assigned journal articles and lecture notes are available on the course website. (<http://users.php.ufl.edu/jharman/healthecon/>). Additional readings not on the website are available on the web or are available through the University of Florida Library. All listed readings are required unless otherwise noted. Students are expected to have read all required readings prior to each lecture and should understand the issues covered in each article.

Course Evaluations and Grading

Your grade will be based on your performance on quizzes (30%), a midterm (35%), and a final examination (35%). There will be at least four quizzes during the semester and quizzes will take place at the beginning of the class period. The lowest quiz score will be dropped when calculating the final grade.

There will be **no** makeup exams or quizzes except for extreme circumstances (e.g. admitted to hospital) with valid evidence of the extreme circumstance.

Grading Scale:

A:	93 – 100%
A-:	90 – 92%
B+:	87 – 89%
B:	83 – 86%
B-:	80 – 82%
C+:	75 – 79%
C:	70 – 74%
C-:	65 – 69%
Fail:	Below 65%

Academic Integrity – *Students are expected to act in accordance with the University of Florida policy on academic integrity (see Student Conduct Code, the Graduate Student Handbook or these web sites for more details:*

<http://www.dso.ufl.edu/sccr/honorcodes/conductcode.php>

<http://www.dso.ufl.edu/studenthandbook/studentrights.php>

<http://gradschool.ufl.edu/students/introduction.html>

Cheating, lying, misrepresentation, or plagiarism in any form is unacceptable and inexcusable behavior. We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity.

Policy Related to Class Attendance and Make-up Exams or Other Work

Students are expected to attend and participate in all class sessions and be in attendance prior to the beginning of the class period. Students should inform the instructor if they will miss a class. Personal issues with respect to class attendance or fulfillment of course requirements will be handled on an individual basis.

Accommodations for Students with Disabilities

If you require classroom accommodation because of a disability, you must first register with the Dean of Students Office (<http://www.dso.ufl.edu/>). The Dean of Students Office will provide documentation to you, which you then give to the instructor when requesting accommodation. The College is committed to providing reasonable accommodations to assist students in their coursework.

Counseling and Student Health

Students may occasionally have personal issues that arise in the course of pursuing higher education or that may interfere with their academic performance. If you find yourself facing problems affecting your coursework, you are encouraged to talk with an instructor and to seek confidential assistance at the UF Counseling & Wellness Center, 352-392-1575. Visit their web site for more information: <http://www.counseling.ufl.edu/>.

The Student Health Care Center at Shands is a satellite clinic of the main Student Health Care Center located on Fletcher Drive on campus. Student Health at Shands offers a variety of clinical services, including primary care, women's health care, immunizations, mental health care, and pharmacy services. The clinic is located on the second floor of the Dental Tower in the Health Science Center. For more information, contact the clinic at 392-0627 or check out the web site at: www.health.ufl.edu/shcc

Crisis intervention is always available 24/7 from:

Alachua County Crisis Center:

(352) 264-6789

<http://www.alachuacounty.us/DEPTS/CSS/CRISISCENTER/Pages/CrisisCenter.aspx>

BUT – Do not wait until you reach a crisis to come in and talk with us. We have helped many students through stressful situations impacting their academic performance. You are not alone so do not be afraid to ask for assistance.

Topic Outline and Required Reading

1/7 Introduction and Overview

Santerre and Neun, Chapter 1.

Wells DA, Ross JS, Detsky AS. “What is Different About the Market for Health Care?”, JAMA vol. 298, no. 23, December 19, 2007, pp. 2785-2787.

Martin A, Lassman D, Washington B, Catlin A, and the National Health Expenditure Accounts Team. “Growth in US Health Spending Remained Slow In 2010; Health Share of Gross Domestic Product was Unchanged From 2009”, Health Affairs vol. 31, no. 1, January 2012, pp. 208-219.

1/9 Prices in the Medical Sector

Santerre and Neun, Chapter 8 (pp.223-233).

Anderson GF, Reinhardt UE, Hussey PS, Petrosyan V. “It’s the Prices, Stupid: Why the United States Is So Different From Other Countries,” Health Affairs vol. 22, no. 3, May/June 2003, pp. 89-105.

Cutler, David M., Mark McClellan, Joseph P. Newhouse, Dahlia Remler. “Are Medical Prices Declining? Evidence from Heart Attack Treatments,” Quarterly Journal of Economics vol. 113, no. 4, November 1998, pp. 991-1024.

1/14 The Production of Health

Santerre and Neun, Chapter 2.

Fuchs, Victor R. "Who Shall Live?" Chapter 2 in Who Shall Live? New York: Basic Books, 1974, pp. 30-55.

(Optional) Grossman, Michael. "On the Concept of Health Capital and the Demand for Health," Journal of Political Economy vol. 80, 1972, pp. 223-255.

1/16 Demand for Medical Care: Theory and Empirical Evidence

Santerre and Neun, Ch. 5.

Manning, Willard G., et al. "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," American Economic Review vol. 77, no. 3, June 1987, pp. 251-277.

(Optional) Arrow, Kenneth. "Uncertainty and the Welfare Economics of Medical Care," American Economic Review vol. 53, no. 3, 1963, pp. 941-973.

1/21 Conventional Insurance Theory: von Neumann-Morgenstern Utility Function, Expected Utility, and Pauly's Moral Hazard Welfare Loss

Santerre and Neun, Ch. 6, pp. 155-167.

Friedman, Milton and L. J. Savage. "The Utility Analysis of Choices Involving Risk," Journal of Political Economy vol. 56, no. 4, August 1948, pp. 279-304.

(Optional) Pauly, Mark. "The Economics of Moral Hazard: Comment," American Economic Review vol. 58, June 1968, 531-537.

1/23 New Insurance Theory: Anomalies and Income Transfer Effect

Santerre and Neun, Ch. 6, pp. 167-174.

Gladwell, Malcolm, "The Moral-Hazard Myth," The New Yorker August 29, 2005.

(Optional) Nyman, John A. "The Economics of Moral Hazard Revisited," Journal of Health Economics vol. 18, no. 5, December 1999, pp. 811-824.

1/28 New Insurance Theory: Estimates of the Welfare Loss and Gain, Why Consumers Sometimes Do Not Purchase Health Insurance, and Implications for Policy

Miller, Wilhelmine, Elizabeth Richardson Vigdor, Willard G. Manning. "Covering the Uninsured: What Is It Worth?" Health Affairs Web Exclusive, 31 March, 2004, pp. W4157-W4167.

Franks, Peter, Carolyn M. Clancy, Marthe R. Gold. "Health Insurance and Mortality: Evidence From a National Cohort," Journal of the American Medical Association vol. 270, no. 6, Aug 11, 1993, pp. 737-741.

Muennig, Peter, Peter Franks, Marthe Gold. "The Cost Effectiveness of Health Insurance," American Journal of Preventive Medicine vol.28 no. 1, January 2005, pp. 59-64.

(O) Newhouse, Joseph P. "The Erosion of the Medical Marketplace," in Advances in Health Economics and Health Services Research vol. 2, ed. Richard Scheffler. Westport, CT: JAI Press, 1981.

1/30 Insurance Theory: Discussion

Harman, Jeffrey S., Allyson G. Hall, Jianyi Zhang. "Changes in health care utilization and expenditures among Medicaid beneficiaries with depression following an interruption in coverage," Psychiatric Services 58(1) January 2007, pp. 49-54.

2/4 The Private Health Insurance Industry

Santerre and Neun, Ch. 6, pp. 174-185, and Ch. 11.

Miller, Robert H. and Harold Luft. HMO Plan Performance Update: An Analysis of the Literature, 1997-2001. Health Affairs vol. 21, no. 4, 2002, pp. 63-86.

(Optional) Rosenthal, Meredith B. and Joseph P. Newhouse. "Managed Care and Efficient Rationing," Journal of Health Care Finance, vol. 28, no. 4, Summer 2002, pp. 1-10.

2/6 Market Models and Managed Care, or Another View of Prices

Santerre and Neun, Ch. 8 (pp. 233-252).

Cutler, David M., Mark McClellan, and Joseph P. Newhouse. "How Does Managed Care Do It?" Rand Journal of Economics vol. 31, no. 3, Autumn 2000, pp. 526-548

2/11 Physicians: Payments, Costs, and Induced Demand

Santerre and Neun, Ch. 12, pp. 363-379.

Moseley, J. Bruce, Kimberly O'Malley, Nancy J. Peterson, Terri J. Menke, Baruch A. Brody, David H. Kuykendall, John C. Hollingsworth, Darol M. Ashton, and Nelda P. Wray. "A Controlled Trial of Arthroscopic surgery for Osteoarthritis of the Knee," New England Journal of Medicine vol. 347, no. 2, July 11, 2002, pp. 81-88.

(Optional) Rossiter, Louis F. and Gail R. Wilensky. "A Reexamination of the Use of Physician Services: The Role of Physician-Initiated Demand," Inquiry vol. 20, Summer 1983, pp. 162-172.

2/13 Physicians: Licensure, Advertising, and Price Discrimination

Santerre and Neun, Ch. 12, pp. 355-377.

(Optional) Friedman, Milton. "Occupational Licensure," Capitalism and Freedom. Chicago:University of Chicago Press, 1962, pp. 137-160.

(Optional) Kessel, Rubin A. "Price Discrimination in Medicine," Journal of Law and Economics vol. 1, no. 2, 1958, pp. 20-58.

2/18 Physicians: Small Area Variation, Specialization, and Another Perspective

Santerre and Neun, Ch. 12, pp. 380-381

Wennberg, J. E., McPherson, K., and P. Caper. "Will Payment Based on Diagnosis-related Groups Control Hospital Costs?" New England Journal of Medicine vol. 311, no. 5, 1984, pp. 295-330.

Fisher ES, Bynum JP, Skinner JS. "Slowing the Growth of Health Care Costs - Lessons from Regional Variation," New England Journal of Medicine vol. 360, no. 9, 2009, pp. 849-852.

Gawande, Atul. "Piecemeal." The New Yorker April 4, 2005.

2/20 Review session for Midterm Exam

2/25 **Midterm Exam**

2/27 Hospitals: Production Functions, Cost Theory, and Efficiency

Santerre and Neun, Ch. 7.

Harman, Jeffrey S., Brian J. Cuffel and Kelly J. Kelleher. "Profiling hospitals for length of stay for treatment of psychiatric disorders," Journal of Behavioral Health Services & Research, 31(1), January/February 2004, pp. 66-74.

(Optional) Zwanziger, Jack and Glenn A. Melnick. "The Effects of Hospital Competition and the Medicare PPS Program on Hospital Cost Behavior Hospital in California," Journal of Health Economics 7(4), December 1988, pp. 301-320.

(Optional) Grannemann, Thomas W., Randall S. Brown and Mark V. Pauly. "Estimating Hospital Costs: A Multiple Output Analysis," Journal of Health Economics vol. 5, no.2, June 1986, pp. 107-128.

3/4 – 3/6 Spring Break

3/11 – 3/13 ACHE – TBD

3/18 Hospitals: Industry Organization and the Theory of Non-Profits

Santerre and Neun, Ch 13.

(Optional) Newhouse, Joseph P. "Toward a Theory of Non-Profit Institutions: An Economic Model of a Hospital," American Economic Review vol. 60, no. 1, 1970, pp. 64-74.

3/20 Labor Market Issues: Shortages, Surpluses, Monopsony and the Shortage of Nurses

Buerhaus, Peter I., Douglas O. Staiger, David I. Auerbach. "Is the Current Shortage of Hospital Nurses Ending?" Health Affairs vol. 22, no. 6, 2003, pp. 191-198.

Hirsch, Barry and Edward Schumacher. "Monopsony Power and Relative Wages in the Labor Market for Nurses," Journal of Health Economics vol. 14, 1995, pp. 443-476. [Focus on theory and empirical conclusions.]

3/25 Pharmaceuticals

Santerre and Neun, Ch. 14.

3/27 The Case for Government Intervention

Santerre and Neun, Ch. 9.

Vladeck B, Rice T. "Market Failure and the Failure of Discourse: Facing up to the Power of Sellers," Health Affairs, Vol. 28, no. 5, Sept/Oct 2009, pp. 1305-1315.

(Optional) Bator, Francis M. "The Anatomy of Market Failure," Quarterly Journal of Economics, August 1958, pp. 351-379.

4/1 Government as Health Insurer

Santerre and Neun, Ch. 10.

4/3 Cost-effectiveness Analysis in Health Care

Santerre and Neun, Ch. 3.

Cutler, David M., Allison B. Rosen, and Sandeep Vijan. "The Value of Medical Spending in the United States, 1960-2000," New England Journal of Medicine vol. 355 no. 9, August 31, 2006, pp. 920-927.

(Optional) Weinstein, Milton C. and William B. Stason. "Foundations of Cost-Effectiveness Analysis for Health and Medical Practices," New England Journal of Medicine vol. 296, no. 13, March 31, 1977, pp. 716-721.

4/8 The Market for Long-Term Care

Santerre and Neun, Ch. 15.

4/10 – 4/15 Current Topics - TBD

4/17 Final Exam Review

4/22 **FINAL EXAM**