UNIVERSITY OF HAWAI’I AT MĀNOA
Department of Economics

HEALTH ECONOMICS
Econ 434 (701)
Summer 2008

COURSE SYLLABUS

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Health Care Systems
The Wharton School
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Lectures: MTWR 10:30-11:45
Location: Kuykendall Hall 307
Office Hours: TR 1:30-2:30
Or by appointment

COURSE OBJECTIVE

The purpose of this course is to use economic frameworks to analyze the health care market and health policies. It examines health care issues from both a macro-level systems perspective as well as issues pertaining to the major parties within the health care system (i.e. patients, payers, providers, pharma/biotech and government). Emphasis will be on the US (because that is where most research has been done), but we will examine health economic research in other countries, especially in developing countries and in the international market for pharmaceuticals.

By examining the prior health economics research literature, students will be trained to think and analyze health care problems from an economic perspective. Students should also gain an appreciation for both the strengths and limitations of applying economic principles to the many complex health care issues. Finally, students should feel comfortable applying many of the lessons learned from health economics to other sectors and topics including: non-profit firms, decision-making under uncertainty and public finance.

COURSE DESCRIPTION

The health care sector in the United States is a complex system comprised of multiple parties including: patients, providers, payers, government and the pharmaceutical/biotech industries. This course will survey the basic economic issues surrounding the health care sector and act as an introduction to the field of health economics. The focus will be on the application of economic principles of scarcity and choice to the use and provision of medical care. Society must decide how much medical care to produce, what kind to produce, and for whom to produce. This course will examine efficiency and equity in the allocation of resources.

Economic analysis is important to our discussion of medical care because it can provide valuable insight into the problem of optimal social choice. Economic analysis also provides insight into the behavior of consumers, health care providers and health insurers, and their interactions in the overall health care system. Traditional economic theory will be applied as well as analyses peculiar to health economics. As such, the course starts with an overview of the U.S. health care system before diving into the issues and models surrounding the major groups (i.e. patients, payers/government, providers and pharmaceutical/biotech industries). We will then examine health care systems outside the U.S. before concluding with a discussion on specific topics within the health care sector.
including: (i) the economics of HIV/AIDS, (ii) the economics of lifestyle issues such as obesity and smoking, (iii) the value of life, (iv) health insurance reforms and (v) medical malpractice.

The materials covered in the course will review some of the important prior research within health economics as well as highlight some of the current health care issues and problems. We will draw from textbook chapters, research articles and current media reports to guide the classroom discussions. Through (i) in-class lectures with student participation and discussion, (ii) individual student-faculty meetings and (iii) student presentations, students will learn to critically examine and analyze current health care policy and business issues from an economic perspective.

**PREREQUISITES**

ECON 301: Intermediate Microeconomics

**READINGS**

The primary text is Folland, Goodman, and Stano (FGS), *The Economics of Health and Health Care* (5th ed., 2006). This text provides a clear description of the fundamental questions and theoretical frameworks covered in health economics. In addition, the secondary text for the course is Cutler’s *Your Money or Your Life: Strong Medicine for America’s Healthcare System* (2005). This text offers a nice discourse on some of the current U.S. health care system issues and balances the discussion from what one often hears in the media. Finally, there are journal articles assigned as part of the readings. All readings listed below each lecture are required readings.

**GRADING POLICY**

There will be two exams for this course. First, the mid-term exam will be in-class and take place on Monday, July 21st. Second, the final exam will also be in-class and take place on Thursday, August 14th. There will be no make-up or alternative time/dates scheduled for these exams. Exams will be based on lecture and reading materials and will consist of both multiple-choice and short essay-type questions.

In addition, students will be expected to research a current health care issue and examine how the application of health economics might be used to explain and/or resolve the issue. Students should plan on consulting with and receiving instructor approval for their topics prior to the mid-term exam date, July 21st. During the last week of classes, students will prepare a brief (5-10 minutes) in-class presentation and submit a 4-5 page double-space typed report on the date of their presentation.

Finally, there will be 4 weekly quizzes on Fridays reviewing topics covered that week. Quizzes will be graded using a 3-point scale where

- Perfect score = 3 points
- Completing the quiz = 1 point
- Not completing the quiz = 0 point

There will be no make-up time/dates scheduled for these quizzes. While the quizzes and participation evaluation do not make up a large portion of the evaluation, they can carry greater weight for borderline cases (e.g. A- or B+). It is therefore expected that students will prepare for, attend and participate during the lectures. Comments and questions in class are strongly encouraged. Things that seem confusing or controversial are usually that way for many students; everyone will benefit if you ask questions. And because the class will often deal with policy
issues, there is a lot of room for honest and good spirited disagreement. No one knows the complete answer, or even the right answer, to many of these questions.

The table below outlines the evaluation components, total number of points possible and percentage for each component.

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<thead>
<tr>
<th>Component</th>
<th>Points Possible</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Quizzes (12pt) &amp; Participation (3pt)</td>
<td>15 points possible</td>
<td>5%</td>
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<tr>
<td>Mid-term Exam</td>
<td>90 points possible</td>
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<tr>
<td>Final Exam</td>
<td>135 points possible</td>
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<tr>
<td>In-class Presentation</td>
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<tr>
<td>Report</td>
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<td><strong>Total</strong></td>
<td><strong>300 points possible</strong></td>
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INTRODUCTION

July 7  Course Description and Overview
• FGS Chapter 1

July 8  Iron Triangle of Health: Cost

July 9  Iron Triangle of Health: Access and Quality

PATIENTS

July 10  Demand for Health / Health Production Function
• FGS Chapters 5 and 6
• Cutler Chapter 2

July 11  Demand for Health and Medical Care
• FGS Chapter 7

July 14  Demand for Medical Care: Prices and Quantity
• FGS Chapter 9

**PAYERS**

**July 15**  
**Demand for Health Insurance: Moral Hazard**

• FGS Chapter 8  
• Cutler Chapter 7  

**July 16**  
**Private Health Insurance: Adverse Selection**

• FGS Chapters 10 and 11  

**July 17**  
**Managed Care**

• FGS Chapter 12  
• Cutler Chapter 8  

**July 18**  
**Governmental Programs: Medicare & Medicaid**

• FGS Chapter 21  

**July 21**  
**Midterm Exam**

**PROVIDERS**

**July 22**  
**Hospitals: Economic Overview**

• FGS Chapter 14 and 20  
July 23  Hospitals: Non-Profits

- FGS Chapter 13

July 24  Physicians

- FGS Chapter 15

July 25  Labor Supply

- FGS Chapter 16

PHARMACEUTICAL INDUSTRY

July 28  Industry I: Overview

- FGS Chapter 17

July 29  Industry II: Prices and Consumers

July 30  Cost Effectiveness Analysis

- FGS Chapter 4

HEALTH CARE SYSTEMS

July 31  International Health: Developed Countries

- FGS Chapter 22

August 1  International Health: Developing Countries

- FGS Chapter 24

SPECIAL TOPICS

August 4  Economics of HIV/AIDS


August 5  Economics of Lifestyle: Smoking and Obesity

- FGS Chapter 23

August 6  Value of Life

**August 7**

**Health Insurance: Reforms**


**August 8**

**Medical Malpractice**


**August 11, 12**

**Student Presentations**

• Papers due on presentation date

**August 13**

**Conclusion and Review Session**

**August 14**

**Final Exam**