Course Title: Health Care Economics, Fall 2019
Course Number: HSAP 0615

Course Pre- and Co-requisite(s): PHCO 0501: Health Systems & Policy

Course Location: School of Public Health, Room 1A

Course Date & Time: Wednesday, 3-5pm

Course Instructor: Alan C. Monheit, Ph.D., Professor of Health Economics, Rutgers School of Public Health (monheiac@sph.rutgers.edu); 732-235-4766

Office Hours: By appointment only

Course Assistant: None

Course Website: Canvas.rutgers.edu


**Supplemental readings:** Supplemental readings are an essential part of the course and are included to provide “real world” and policy-relevant applications of concepts developed in class and in the texts. Readings designated with a * are recommended but not required for MPH students but required for doctoral students*. As much as possible, readings will be posted on the Canvas system for the course. If this is not possible, some readings will be distributed in class, via e-mail, or through links to electronic journals or other web sites.

**Course Description:** This course is intended to provide an introduction to economic concepts and their use in analyses of the health care sector. The concepts developed in class and through readings will be applied to assess the efficiency with which health care resources are used and the equity with which health care is distributed. We will explore considerations of efficiency and equity in a variety of contexts, including the performance of the “health care economy;” the demand for and production of “good health;” the demand for health care services; the costs and benefits of specific health care resource use; decisions to obtain health insurance; the role of government in the health care sector; reform of the health care sector; and the provision of specific health care services. Since resources are scarce, health “production” and health care decision making, as in other sectors of the economy, involves considerations of the cost and benefits of alternative resource uses. However, the unique characteristics of the commodity “good health” and of the health care market distinguish it from other commodities and markets, suggesting that special consideration be given to economic analyses of health care issues.

When applying economic analyses to health care issues, we will do so with a critical eye. We will consider how well such analyses explain the realities of health care decision making by private and public entities and the performance of health care markets.
Selected Concentration Competencies Addressed: The competencies addressed in this course for the MPH and Ph.D. in Health Systems and Policy include:

- A. Use economic theories, concepts and methodologies in the analysis and evaluation of current health care issues and problems;
- B. Critically evaluate both proposed and implemented health policy interventions and the empirical research seeking to assess the impact of policy interventions in the health care sector;
- C. Assess and delineate public health policies and practices recognizing legal and ethical implications for individuals and populations;

The competencies for doctoral students include:

- D. Apply economic theories and demographic methods to the analyses of basic issues and trends in the population’s health, health care use, spending, and delivery, health insurance status, and with regard to specific health policy interventions;
- E. Critically evaluate both proposed and implemented health policy interventions and the empirical research seeking to assess the impact of policy interventions in the health care sector.

Please visit the Concentration webpages on the School of Public Health’s website at sph.rutgers.edu for additional competencies addressed by this course for other degrees and concentrations.

Course Objectives: By the completion of this course, students will be able to:

- A. Understand the characteristics and institutional features of the US health care system that have prompted calls for health care reform;
- B. Understand key concepts of equity and efficiency that govern policy concerns over health care delivery and access to private and public health insurance in the US;
- C. Apply basic tools of economic analysis to issues in the US health care system;
- E. Understand the conceptual basis for public policy interventions in health care markets and for recently enacted health reform;
- F. Critically evaluate proposed policy interventions to address US health care issues.

Course Requirements and Grading: Course requirements will consist of four quizzes, a mid-term examination, a group discussion project, and a final examination. Class participation is strongly encouraged and will count toward the final grade.

- Final course grades will be assessed on the following basis:
  - Four quizzes: 20% of grade: Quizzes will be posted on Canvas at specified times throughout the course. Students will have one week to return the exam via Canvas.
  - Mid-term exam: 30% of grade
  - Group discussion project: 15% of grade (see below for a description)
  - Final exam: 30% of grade
  - Class participation: 5% of grade
- **Class participation:** Students are expected to participate in class discussions regarding material presented and problem sets. Questions regarding readings and material presented in class are encouraged. Class participation is a way for students to reinforce their grasp of concepts and to help clarify their understanding of concepts presented.

- **On-line 30 assignments:** In order to ensure that we have at least three course hours, I will be including certain readings, quizzes, and expectations for work on the group discussion project (described next) as on-line 30 assignments. These will be added to the syllabus after certain topics or sections have been completed.

- **Group discussion project:** Using a health economics perspective, students (teams of two to four members) will examine and critically evaluate a specific health policy proposal or existing policy initiative. Group members will be expected to apply concepts developed in class and in assigned readings, and based on their analysis, provide a recommendation as to whether the proposal should be implemented or the initiative continued. Possible topics can be drawn from specific provisions of the Patient Protection and Affordable Care Act (ACA), or recent alternatives proposed to replace the ACA. Other topics that have been prominent in health policy discussions, at the national, state, or local levels can also be used. Examples of possible topics related to the ACA include whether the ACA’s individual mandate should be reinstated; whether states should implement their own individual mandates; whether “Cadillac” health plans should be taxed; whether employers should be required to provide health insurance to their workers; whether public health insurance should be expanded by raising income-eligibility thresholds; whether Medicaid should have a work requirement; whether the ACA’s Individual Payment Advisory Board ought to be implemented; whether cost-sharing should be eliminated for preventive services; whether state governments should participate in the ACA’s Medicaid expansion. Other topics, apart from specific ACA provisions, include whether to allow large health insurers to merge; whether federal support of the Medicaid program should be based on block grants or fixed per capita payments to states; whether to include a new public insurance health plan as part of health reform; whether the US should move to a single-payer health system; whether prescription drug prices should be regulated; whether the US should permit the importation of prescription drugs from foreign countries; whether employers should be required to fund employee wellness programs; whether states should mandate specific health insurance benefits; whether tax-exempt medical savings accounts should be used to control health care spending; whether we should reform the medical malpractice system and how; whether the tax exemption for health insurance should be extended to the non-group insurance market; whether health insurance premiums should be made higher for obese enrollees; whether we should impose “fat” taxes on particular food products as a way of addressing the obesity “crisis.” Other efforts to address perceived deficiencies in the US health care delivery system can also be used. Each group will examine the proposal in terms of the following elements (a specific grid will be provided): reason for the initiative and its objective; targeted population; financing or regulatory tool(s) to be applied; impact on economic incentives/efficiency; impact on equity (who is excluded, who wins, who loses); and when possible, expected costs.
of the initiative. *All topics must be approved in advance by the instructor. Group projects teams are due the week of October 14th.*

**Grading Policy:**

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<thead>
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<th>Score Range</th>
<th>Grade</th>
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<tbody>
<tr>
<td>94 – 100</td>
<td>A</td>
</tr>
<tr>
<td>90 – &lt;94</td>
<td>A-</td>
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<tr>
<td>70 – &lt;77</td>
<td>C</td>
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<tr>
<td>&lt;70</td>
<td>F</td>
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**Course Schedule**

**I. Introduction to Health Economics (Weeks 1-4).**

* a. The state of the US health care economy (Week 1).

Reinhardt, Introduction (pages 1-9), Chapter 1 (pages 13-32), Chapter 2.

**Online-30 assignments:**


* b. Basic concepts; focus and scope of health economics; nature of economic efficiency, distinction between positive and normative economics (weeks 2 & 3)*

Santerre and Neun, Chapters 1 (exclude appendix).

Reinhardt, Chapter 3.

**On-line 30 assignments:**

- Select group topic and work to form group.

* c. Application of the economic approach (week 3)*


Mark V. Pauly "Should we be Worried about High Real Medical Spending Growth in the United States?" Health Affairs Web Exclusive 8 January 2003.

d. Nature of health care systems and health care markets (weeks 3-4)

Kenneth J. Arrow. "Uncertainty and the Welfare Economics of Medical Care." American Economic Review 54 (December 1963): Sections II and III; Section IV part D.


e. Distributional considerations: Equity in health care, rationing and priority setting (week 4)

Reinhardt, Chapter 5.


Competencies for section I: A, B, C, D & E.
Assessed by Quiz#1 and midterm exam.

On-line 30 assignments:
- Quiz #1 due before next class
- Work to select group topic and to form group.

II. The Economics of Health. (Weeks 4 – 5)

a. Determinants of population health: Economic and noneconomic correlates of “Good Health.”

Santerre and Neun, Chapter 2 (exclude appendix).


Policy Application:


On-line 30 assignments:

- Work to select group topic and to form group.

b. The production of 'good health: General considerations and the Grossman model (week 5)


c. The Role of Education in the production of health: theory and evidence:


Competencies for section II: A, B, C, D & E. Assessed by Quiz#2 and midterm exam.

On-line 30 assignments:

Select group topic and work to form group.

III. Cost and Benefit Analysis (Week 5-6)

Santerre and Nuen, Chapter 3.

Policy applications:

David M. Cutler and Mark McClellan. 2001. "Is Technological Change in Medicine Worth It?" Health Affairs 20 (September/October): 11-29.

Competencies for section III: A, B, and D. Assessed by Quiz 2 and midterm exam.

On-line 30 assignments:
- Quiz #2
- Select group topic and work to form group.

IV. Demand for Medical Care Services (Weeks 6 – 7)

a. The Basics: Health Care Demand (Week 6)

Handout: Table 2, Total health services B. Median and mean expenses per person with expense and distribution of expenses by source of payment: United States, 2000.

Santerre and Nuen, Chapter 5.

b. Empirical Evidence on the Demand for Health Services (Week 6)


c. Moral Hazard and Welfare Loss (Week 7):

Traditional perspective on moral hazard welfare loss:
Santerre and Neun, pages 168 (paragraph 2) – 169 (paragraphs 1 & 2)


**d. Departures from the traditional perspective (Week 7):**


**e. Is Cost-Sharing Always Efficient? (Week 7)**


**Competencies A, B, and D.**
Assessed by midterm exam.

On-line 30:
- Work on group projects

**WEEK 8 – MIDTERM EXAM**

V. Health Insurance (Weeks 9 – 11)

*a. The Demand for Health Insurance (Week 9):*
Santerre and Nuen, Chapter 6.


*b. The Market for Private Health Insurance (Weeks 9 -10)*

i. General overview
Santerre and Neun, Chapter 11 (omit sections on 'Barriers to Entry', 'Dominant Insurer Pricing Model' 'Do HMOs Possess Monopsony Power).


ii. Employment-Based Health Insurance


iii. Individual Health Insurance


Competencies A, B, and D. Assessed by Quiz#3 and final exam.

On-line 30 assignments:
- Group projects
  - Quiz #3

Quiz #3 due before next class

VI. Prescription drug pricing – why so high? (Weeks 10 – 11)

Reinhardt. pages 32-38.


Competencies A, B, C, & D. Assessed by Quiz#4 and midterm exam.

On-line 30 assignments:
VII. The Role of Government in Health Care - Theoretical Rationale (Week 12)

a. Justifications for government intervention in health care:
Santerre and Nuen, Chapter 9 (omit sections on regulation and on anti-trust laws, pages 268-284).

On-line 30 assignment:
- Group project

b. Explicit interventions or “nudges”

c. Policy Application: Smoking Behavior and Government Intervention
Handout on Economics of Smoking Regulation


*Policy Application: Obesity and Overweight


Competencies A, B, and D.
Assessed by Quiz#4 and final exam.

On-line 30 assignment:
- Quiz#4 due at next class.
- Group project

GROUP PRESENTATIONS Beginning Week 12 to Week 14

VIII. Health Care Reform (Week 13-14)

Reinhardt, Chapters 8, 9, 10.


Competencies A, B, D, & E.
Assessed by final exam.

On-line 30 assignments
- Group projects

Course Schedule: Listed above

Learning Management System: Canvas will be used extensively throughout the semester for course syllabus, assignments, announcements, communication and/or other course-related activities. It is the student’s responsibility to familiarize themselves with Canvas and check it regularly. If you have difficulties accessing Canvas, please inform the instructor and Canvas Support (help@canvas.rutgers.edu). Canvas is accessible at canvas.rutgers.edu.

School of Public Health Honor Code: The School of Public Health Honor Code is found in the School Catalog (sph.rutgers.edu/academics/catalog.html). Each student bears a fundamental responsibility for maintaining academic integrity and intellectual honesty in his or her graduate work. For example, all students are expected to observe the generally accepted principles of scholarly work, to submit their own
rather than another's work, to refrain from falsifying data, and to refrain from receiving and/or giving aid on examinations or other assigned work requiring independent effort. In submitting written material, the writer takes full responsibility for the work as a whole and implies that, except as properly noted by use of quotation marks, footnotes, etc., both the ideas and the works used are his or her own. In addition to maintaining personal academic integrity, each student is expected to contribute to the academic integrity of the School community by not facilitating inappropriate use of her/his own work by others and by reporting acts of academic dishonesty by others to an appropriate school authority. It should be clearly understood that plagiarism, cheating, or other forms of academic dishonesty will not be tolerated and can lead to sanctions up to and including separation from the Rutgers School of Public Health.

Students with Disabilities: Rutgers University welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student must apply for Services by first completing a Registration Form with the Rutgers Office of Disability Services (ODS) at ods.rutgers.edu. The student will also be required to participate in an ODS intake interview and provide documentation. If reasonable accommodations are granted, ODS will provide you with a Letter of Accommodations which should be shared with your instructors as early in your courses as possible.

Commitment to Safe Learning Environment: The Rutgers School of Public Health is committed to helping create a safe learning environment for all students and for the School as a whole. Free expression in an academic community is essential to the mission of providing the highest caliber of education possible. The School encourages civil discourse, reasoned thought, sustained discussion, and constructive engagement. Provocative ideas respectfully presented are an expected result. An enlightened academic community, however, connects freedom with responsibility. The School encourages all students to disclose any situations where you may feel unsafe, discriminated against, or harassed. Harassment or discrimination of any kind will be not tolerated and violations may lead to disciplinary actions.

Reporting Discrimination or Harassment: If you experience any form of gender or sex-based discrimination or harassment, including sexual assault, sexual harassment, relationship violence, or stalking, know that help and support are available. You may report such incidents to the RBHS Title IX Office or to the School of Public Health’s Office of Student Affairs. Rutgers University has staff members trained to support survivors in navigating campus life, accessing health and counseling services, providing academic and housing accommodations, and more. If you experience any other form of discrimination or harassment, including racial, ethnic, religious, political, or academic, please report any such incidents to the School’s Office of Student Affairs. The School strongly encourages all students to report any incidents of discrimination or harassment to the School. Please be aware that all Rutgers employees (other than those designated as confidential resources such as advocates, counselors, clergy and healthcare providers as listed in Appendix A to Policy 10.3.12) are required to report information about such discrimination and harassment to the School and potentially the University. For example, if you tell a faculty or staff member about a situation of sexual harassment or sexual violence, or other related misconduct, the faculty or staff member must share that information with the RBHS Title IX Coordinator. If you wish to speak to a confidential employee who does not have this reporting responsibility, you can find a list of resources in Appendix A to University Policy 10.3.12. For more information about your options at Rutgers, please visit Rutgers Violence Prevention and Victim Assistance.

Graduate Student Computer Policy: Students are required to possess a personal laptop, no older than approximately two years, that must meet minimum requirements which may be found online at: sph.rutgers.edu/student-life/computer-support.html

Policy Concerning Use of Recording Devices and Other Electronic Communications Systems: When personally owned communication/recording devices are used by students to record lectures and/or classroom lessons, such use must be authorized by the faculty member or instructor who must give either
oral or written permission prior to the start of the semester and identify restrictions, if any, on the use of mobile communications or recording devices.

**Policy Concerning Use of Turnitin:** Students agree that by taking this course all required papers may be subject to submission for textual similarity review to Turnitin.com (directly or via learning management system, i.e. Canvas) for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. Use of the Turnitin.com service is subject to the Usage Policy posted on the Turnitin.com site. Students who do not agree should contact the course instructor immediately.

**Withdrawal/Refund Schedule:** Students who stop attending their course(s) without submitting a completed Add/Drop Course form will receive a failing grade. Furthermore, students dropping to zero credits for the semester are considered withdrawn and must submit a completed Leave of Absence form from the School of Public Health's Office of Student Affairs. The School of Public Health refunds tuition only. Administrative and technology fees are non-refundable. You may find the Withdrawal/Refund Schedule on the School of Public Health website at: sph.rutgers.edu/academics/academic-calendar.html