**Course Title:** Health Care Economics

**Course Number:** HSAP 0615

**Course Location:** School of Public Health, Room 1B

**Course Date & Time:** Monday 6:10pm to 9pm

**Course Instructor:** Alan C. Monheit, Ph.D., Professor of Health Economics, Rutgers School of Public Health, 683 Hoes Lane West, Room 329, Piscataway New Jersey 08854 (monheiac@sph.rutgers.edu); 732-235-2865

**Office Hours:** By appointment only


**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 text. Readings will be designated as required or as recommended but not required (the latter designated by an *). As much as possible, readings will be posted on the MOODLE 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 websites.

**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 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 and health care decision making by individuals, private and public insurers, and providers, 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 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 Department Competencies Addressed: Each Department identifies competencies for each degree offered. The competencies addressed in this course for the MPH and Ph.D. for the Department of Health Systems and Policy include:

- Use economic theories, concepts and methodologies in the analysis and evaluation of current health care issues and problems;
- 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;
- Assess and delineate public health policies and practices recognizing legal and ethical implications for individuals and populations.

Please visit the Department webpages on the School of Public Health’s website at http://sph.rutgers.edu/ for additional competencies addressed by this course for other degrees and departments.

Course Objectives: Upon completing this course, a student will be able to:

- Understand the characteristics and institutional features of the US health care system that have prompted calls for health care reform.
- 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.
- Be able to apply basic tools of economic analysis to issues in the US health care system.
- Understand the conceptual basis for public policy interventions in health care markets and for recently enacted health reform;
- Be able to critically evaluate proposed policy interventions to address US health care issues.

Course Requirements and Grading: Course requirements will consist of 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:

- Mid-term exam: 40 percent of grade
- Group discussion project: 15 percent of grade
- Final exam: 40 percent of grade
- Class participation: 5 percent of grade

- Group discussion project: Using a health economics perspective, students (teams of two or three) will examine and critically evaluate a specific health policy proposal or 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 initiative should be implemented or continued. Possible topics can be drawn from specific provisions of the Patient Protection and Affordable Care Act (ACA), or from aspects of the debate regarding the nature of health reform leading up to 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 an individual mandate should be included in reform; 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 the 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 impose a new public 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 be required to fund employee wellness programs; whether states should mandate specific health insurance benefits; whether tax-exempt medical savings accounts can be used to effectively control health 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; and impact on equity (who is excluded, who wins, who loses); expected costs of the initiative. All topics must be approved in advance by the instructor.
Course Schedule:

I. Introduction to Health Economics (Weeks 1 -3).

a. The state of the US health care economy.


*Michael B. Rothberg, Joshua Cohen, Peter Lindenerauer, Judith Maselli, and Andy Auerbach. “Little Evidence of Correlation between Growth in Health Spending and Reduced Mortality.” Health Affairs 29 (80 August 2010): 1523-1531.

b. Basic concepts; focus and scope of health economics; nature of economic efficiency; distinction between positive and normative economics; the nature of health care systems.

Santerre and Neun, Chapters 1 & 4.


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 and health care markets


e. Distributional considerations and priority setting


II. The Economics of Health. (Weeks 3 – 4)

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

Santerre and Neun, Chapter 2.


Policy application:

b. The production of 'good health: General considerations and the Grossman model


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


III. Cost and Benefit Analysis (Weeks 4 – 5)

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.


IV. Demand for Medical Care Services (Weeks 5 – 7)

a. The Basics: Health Care Spending


Santerre and Nuen, Chapter 5.

b. Empirical Evidence on the Demand for Health Services:


Moral Hazard and Welfare Loss:

Traditional perspective on moral hazard welfare loss:

Santerre and Neun, pages 168 (paragraph 2) – 169 (paragraphs 1 & 2)


c. Departures from the traditional perspective:


d. Is Cost-Sharing Always Efficient?


WEEK 8 – MIDTERM EXAM

V. Health Insurance (Weeks 9 – 11)

a. The Demand for Health Insurance
Santerre and Nuen, Chapter 6.


b. The Market for Private Health Insurance

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

**VI. The Market for Physicians’ Services (Week 11 if time permits).**

Santerre and Neun, Chapter 12.


**VII. The Role of Government in Health Care - Theoretical Rationale (Week 11 – 12)**

Santerre and Nuen, Chapter 9 (omit section on anti-trust laws)


*Explicit interventions or “nudges”*


*Policy Application: Smoking Behavior and Government Intervention*

Handout on *Economics of Smoking Regulation*


*Policy Application: Obesity and Overweight*


**WEEK 13: GROUP PRESENTATIONS**
VIII. Health Care Reform (Week 14)


School of Public Health Honor Code: The School of Public Health Honor Code is found in the student bulletin (sph.rutgers.edu/academics/catalog/index.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.

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.