Course Title: Health Care Economics
Course Number: HSAP 0615
Course Pre- and Co-requisite(s): PHCO 0501
Course Location: School of Public Health, Room 234
Course Date & Time: Wednesday 3pm to 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

**Additional/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 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 and health care decision making by individuals, by private and public insurers, and by 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 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: Each Concentration identifies competencies for each degree offered. The competencies addressed in this course for the MPH 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.

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.
- D: Understand the conceptual basis for public policy interventions in health care markets and for recently enacted health reform;
- E: 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 (see below for a description)
- Final exam: 40 percent of grade
- Class participation: 5 percent of grade: 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.

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 individual mandate should be reinstated in reform; 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 permit 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 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 should 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; 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.

- Grading Policy: 94 – 100  A
  90 – <94  A-
  87 – <90  B+
  84 – <87  B
  80 – <84  B-
  77 – <80  C+
  70 – <77  C
  <70  F

Course Schedule:

I. Introduction to Health Economics (Weeks 1 -3). Competencies Addressed: A, B, & C

a. The state of the US health care economy.


*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 (exclude appendix) & 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.

c. *Nature of health care and health care markets*


d. Distributional considerations: Rationing and priority setting


*Alan B. Cohen. “The Debate Over Health Care Rationing: Déjà vu All Over Again?” *Inquiry* 49(2) Summer 2012: 90-100. Available at: [http://inq.sagepub.com/content/49/2/90.full.pdf+html](http://inq.sagepub.com/content/49/2/90.full.pdf+html)


II. The Economics of Health. (Weeks 3 – 4): Competencies Addressed: A & B

a. *Determinants of population health: Economic and noneconomic correlates of ‘Good Health.’*

Santerre and Neun, Chapter 2 (exclude appendix).


*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): Competencies Addressed: A, B, & C**

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) Competencies Addressed: A & B**

*a. The Basics: Health Care Spending*


**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. From T.M. Ezatti-Rice,

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) Competencies Addressed: A, B, & C

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 Role of Government in Health Care - Theoretical Rationale (Week 11 – 12)
Competencies Addressed: A, B, & C

Santerre and Nuen, Chapter 9 (omit sections on regulation and on anti-trust laws, pages 268-284).


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

VII. Health Care Reform (Week 14) Competencies Addressed: A, B, & C


**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 work 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.

**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/school-calendar.html