CLASS SESSIONS
The class will meet on Tuesday from 6:45 PM to 8:25 PM, from January 28th through March 11th at Silver, Room 520.

PROFESSOR
Name: Alexander S. Preker
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GRADER
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FOR ADMINISTRATIVE MATTERS AT WAGNER
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COURSE DESCRIPTION
This course provides the core microeconomic theories and concepts needed to understand health and health care issues in both the developed and developing world. It describes how the markets for health and health services are different from other goods, with a particular emphasis on the role of government and market failure. In addition it discusses the theoretical and empirical aspects of key health economics issues, including the demand for health and health services, supply side concerns, health insurance, the provision of public goods, and related topics. The course encourages students to fundamentally and rigorously examine the role of the market for the provision of health and health services and how public policy can influence these markets.

PREREQUISITES
P11.1011 Statistical Methods for Public, Nonprofit and Health Management
P11.1018 Microeconomics for Public Management, Planning and Policy Analysis

Students must have a working knowledge of basic economic and statistical concepts such as supply-demand analysis, elasticity, economic surplus analysis, decision-making by firms under perfect and imperfect competition, hypothesis testing and multivariable regression. Students are also expected to have a basic understanding of the U.S. health care delivery system.

NYU CLASSES AND EMAIL
All course materials will be posted on the NYU Classes site for this class. Students can login to NYU Classes your NYU net ID and password. Some class announcements will be distributed via e-mail (as well as posted on NYU Classes), thus, it is important to actively use your NYU e-mail account, or have appropriate forwarding set up on NYUHome (https://home.nyu.edu/).

LEARNING OBJECTIVES
Upon completion of this course, you should be able to:
• Define and explain a core set of health economics concepts (mathematical and verbal);
• Effectively apply these concepts to understand the behavior of firms and individuals in the context of public health and in organizational management and policy;
• Solve mathematical and word problems using health economics concepts; and
• Communicate economic concepts clearly, precisely, and concisely through written text.

READINGS
Required Text/Readings:

ISBN-10: 1449631649

Session material and practice quizzes will be posted on [www.healthindustry.com](http://www.healthindustry.com)
Sign up under Calendar/Learning to access this material

Other Recommended but Optional Text/Readings:

ISBN: 0132773694


ISBN: 1567933289

Health Care Economics References:

ISBN: 9814354872

ISBN: 1421402181

ISBN: 0765612569

ISBN: 0321136691
Microeconomics References:
ISBN: 0538453044

ISBN: 0764134191

Most weekly readings will be available on NYU Classes in the Resources folder.

**GRADING AND ASSESSMENT**

**GRADING:**
The following three factors are considered when calculating your final grade for the course:
1. Homework assignment (30%)
2. Final open book multiple choice exam (60%)
3. Class participation (10%)

Homework assignments will ensure that you have a firm grasp on the learning outcomes specified previously. This is particularly important in economics because the new lecture material builds on what has been covered in prior lectures.

Examinations help assess your achievement and understanding of the learning objective.

**ASSESSMENT:**

**Homework Assignment (30% of your final grade):**
One homework assignment will include a combination of short-answer/graphical/mathematical questions (which may require a calculator). When answering these questions, it is important to write clearly and to concisely present key arguments; writing succinctly is an invaluable professional skill. The homework assignment will test material presented in class not based directly on the core recommended text.

Homework assignments are due at the beginning of the class on Tuesday, February 25th.

**Final Open Book Multiple Choice Exam (60% of your final grade):**
The final multiple choice exam will be open book and available on-line during a specified time limit following the final class. Students are responsible for any material in the mandatory text for the final exam. The final exam will not test course material presented in class.

The take-home final is due on Friday, March 29th. Your take-home final exam should be submitted electronically via email.

**Class Participation (10% of your final grade):**
Class participation grade will be based on attendance and active participation in the class. Participation includes asking questions, answering questions, doing the reading in advance and engaging in discussions of the readings. For this class, participation is absolutely essential.
APPROACH TO TEACHING AND LEARNING

COURSE STRUCTURE:
Lectures will have a “chalk talk” style with the aid of PowerPoint slides. Bathroom breaks are allowed. You are welcome to bring water, coffee, or a small snack, but please avoid foods that will disturb the class environment (foods in noisy wrappers, foods with strong odors, etc.).

Discussion of Economic Concepts:
- This will primarily take the form of lectures which will cover the concepts and theories of the week.
- Students are encouraged to ask questions during the lecture. I will try to answer questions as they come up in class, but in some cases, because of time limitations or because the question is beyond the scope of the course, I may have to answer the question outside of class or via email.
- I will discuss concepts and theories conceptually on the blackboard, and I will often use graphs or mathematical calculations to solidify the material being discussed. I recommend that students sit close to the blackboard, as it may be difficult to read graphs from a distance.
- Whenever I use PowerPoint slides, I will post these slides online (in PowerPoint and PDF formats) before class on NYU Classes in the Resources folder. A converter pack is available on the Microsoft website if you need a different version of Microsoft Office to open the PowerPoint files.

Class Activities:
- During each class, I will ask students in the class to work in groups to discuss and debate the lecture material and to solve problems.

Other In-class Activities:
- Throughout the course students may be call on to shared their insights on specific topics with the class. Students asked to share their insights will not be judged on the factual contents of their comments but rather on their ability to apply the core concepts to problem solving.
- What is the big point (the main idea) that you learned on a particular topic?
- What is the main unanswered questions?

This will also allow you to check your understanding and to provide me with feedback about points of misunderstanding so that I can provide clarifications in the next class session.

STUDENT RESPONSIBILITIES:
- Keeping up with the readings, class assignments, homework assignments, and lectures will help you succeed throughout the semester. The material explained in class builds on the topics discussed in previous lectures, so mastering core concepts and learning objectives is extremely important for your success in the course.
- Practicing the economic skills and theories covered in class throughout the semester.
- Submitting all homework assignments on-time; and completing readings before class will typically lead to good grades.
- If you are struggling with the concepts in the first quarter of the term, it is imperative that you make an appointment to see me as soon as possible; do not wait until the final exam. My goal is to enable all students to learn and apply the course concepts. Meeting throughout the semester to address points of confusion as they come up on class materials (or homework assignments) is encouraged.
- Occasionally, I may need to reschedule lectures, change assignment due dates, or change class locations (if the classroom is not appropriate for the number of students); if I do so, I will alert the class via email. I will also distribute course updates via email sent through NYU Classes. If you have any problems or questions regarding your email and/or NYU Classes, please contact New York
University Information Technology Services at 212.998.3333. For additional information visit http://www.nyu.edu/its/.

- Your feedback is important to me. Half way through the course, I will ask you to complete an online evaluation of the course. Please also respond to the course evaluation requests after the semester ends. I consider your feedback when planning the course for next year essential.
- I want to teach you more than economics. I also want to help you succeed in your future endeavors. The following guidelines are intended to help you develop good habits early in your career:
  - All written analyses, problem sets, and email correspondence should be professional in tone. Include your name and the course you are taking in all email correspondence.
  - I also want to reiterate the importance of submitting materials on time. As such, I will not accept late assignments. Moreover, concerns about homework or exam grades should be brought up within one week of receiving the graded material in order to be considered for a grade change.
  - Cell phones, pagers, smart phones (Blackberries, iPhones, etc.) are expected to be off during class. Tablets and laptop computers will only be allowed for note-taking purposes.

COURSE POLICIES AND ADDITIONAL INFORMATION

RESCHEDULING EXAMS:
Exam rescheduling will be considered on a case-by-case basis and only in extreme circumstances. If you miss an exam without following the instructions stated below, you will receive the grade of zero in that exam. Students requesting an exam rescheduling must:
  - Send me an email before the exam.
  - Provide written proof of the extreme circumstance preventing them from taking the exam (for example, a doctor's note in case of a medical emergency).

LATE ASSIGNMENT POLICY:
In general late assignments are not accepted. Only in cases such as serious illness, death in the family, a sick child, and unforeseeable and significant work emergency will late assignments be accepted.

Late assignments will only be accepted if you have informed me in writing (by e-mail, note in class or note sent some other way) and prior to the due date. (If you have no on-line access or other means to send a written note, then leave me a voice-mail message.) Your note must explain the reason for the lateness (e.g., illness, death in family, illness of child, unforeseeable work emergency), although you do not need to get into personal details. Your note must also state when you will turn in the assignment. If you do not turn the assignment in by that date, you must write another note before then, providing a new due date.

OFFICE HOURS:
I am available to meet with students by appointment on campus.

PERSONAL NEEDS:
Sometimes religious holidays conflict with class days. I understand this and would like to address your spiritual needs. Contact me within two weeks of the beginning of the term (by 09.18.2012) after identifying potential conflicts, and we will make arrangements.

DISABILITY ACCESS
New York University provides coordination of confidential services and accommodations for students with disabilities (physical, psychological, or learning disabilities). Any student who needs a reasonable accommodation based on a qualified disability is required to register with The Henry and Lucy Moses Center for Students with Disabilities (CSD) for assistance. For more information, visit http://www.nyu.edu/life/safety-health-andwellness/students-with-disabilities.html.
**CODE OF CONDUCT**

I take this very seriously. As members of the NYU Wagner community, we are all expected to adhere to the highest standards of intellectual and academic integrity. Wagner, as a community, has adopted a disciplinary process, which is available at http://www.nyu.edu/wagner/current/policies/. It is important that all Wagner students are aware of both the type of activities that qualify as infractions and the consequences of academic dishonesty. You are encouraged to review the academic code as soon as possible and to use it as a resource to guide you academically and professionally.

**COURSE OUTLINE**

**Week 1: Session 1, January 28th**

**Lecture: Introduction to Economics and its Application to Social Policy and Health Care**

**Session 1 Objectives:** At the end of this session the student will be able to apply basic economic reasoning in looking at issues related to health policy, health systems and clinical management of patients.

**Session 1 Core Contents:** Health economics is a branch of economics concerned with issues related to efficiency, effectiveness, value and behavior in the production and consumption of health and health care. In broad terms, health economists study the functioning of the health care systems as well as health-affecting behaviors. Factors that distinguish health economics from other areas include extensive government intervention, intractable uncertainty in several dimensions, asymmetric information, barriers to entry, externalities and the presence of a third-party agent such as doctors and others who makes purchasing decisions (e.g., whether to order a lab test, prescribe a medication, perform a surgery, etc.) while being insulated from the price of the product or service. Uncertainty and externalities that complicate this story will also be discussed.

**Session 1 Core Reading:** Chapter 1: “US Healthcare System Issues” (p 1-7); and Chapter 2: “The Role of Economics” (p 9-14). Bios: Kenneth J. Arrow and Jonathan Fielding.

**Advance Optional Readings:**


**Week 2: Session 2, February 4th**

**Lecture: Demand, Need and Utilization**

**Session 2 Objectives:** At the end of this session the student will be able to analyze role of demand in health policy, health systems and clinical management of patients using core economic principles with concrete examples from both developed and developing country settings. The session will help students distinguish between demand, need and utilization of health care.

**Session 2 Core Contents:** Economic equilibrium is a state of the world where economic forces are balanced and in the absence of external influences the (equilibrium) values of economic variables will not change. For example, in the standard text-book model of perfect competition, equilibrium occurs at the point at which quantity demanded and quantity supplied are equal (this equally applies to health care goods, services and labor). Market equilibrium in this case refers to a condition where a market price is established through competition such that the amount of goods or services sought by buyers is equal to the amount of goods or services produced by sellers. This price is often called the competitive price or market-clearing price and will tend not to change unless demand or supply changes.
Excess supply (market surplus or glut) leads to price cuts, which decrease the quantity supplied (by reducing the incentive to produce and sell the product) and increase the quantity demanded (by offering consumers bargains), automatically abolishing the glut. Excess demand (or shortage) leads to price increases, reducing the quantity demanded (as customers are priced out of the market) and increasing in the quantity supplied (as the incentive to produce and sell a product rises). There is fascinating evidence from across the world that even in highly regulated and socialized health care systems a similar market dynamic is often established in through informal markets.

Session 2 Core Reading: Chapter 3. “The Demand for Health” (p. 15-23); Chapter 4. The Demand for Health Care (25-29). Bios: Frank A. Sloan and and Mark V. Pauly.

Advance Optional Readings:


Week 3: Session 3, February 11th
Lecture: Supply of Health Care Goods and Services

Session 3 Objectives: At the end of this session the student will be able to analyze the role of supply in health policy, health systems and clinical management of patients using core economic principles with concrete examples from both developed and developing country settings.

Session 3 Core Contents: This session will look in more detail at the role of supply in health systems and issues such as supplier induced demand, scarcity and distortions that occur in supply of health care goods and services. The session will briefly touch on seven major supply categories in the health sector: inpatient services, outpatient/ambulatory/diagnostic services, manufacturing of drugs, medical technology and information technology, health insurance and medical education/research.

Session 3 Core Reading: Chapter 6. “The Supply of Healthcare” (p. 43-51). Bios: Richard G. Frank.

Advance Optional Readings:


Week 4: Session 4, February 18th
Lecture: Public and Private Goods and Services in Health Care

Session 4 Objectives: At the end of this session the student will be able to distinguish between public goods, private goods, merit goods and externalities in the health sector and implications for health policy.
**Session 4 Core Contents:** In economics, a public good is a good that is both non-excludable and non-rivalrous in that individuals cannot be effectively excluded from use and where use by one individual does not reduce availability to others. Examples of public goods include fresh air, knowledge, lighthouses, national defense, flood control systems and street lighting. Public goods that are available everywhere are sometimes referred to as global public goods. Many public goods may at times be subject to excessive use resulting in negative externalities affecting all users; for example air pollution and traffic congestion. A private good on the other hand is defined in economics as "an item that yields positive benefits to people" that is excludable, i.e. its owners can exercise private property rights, preventing those who have not paid for it from using the good or consuming its benefits; and rivalrous, i.e. consumption by one necessarily prevents that of another. A private good, as an economic resource is scarce, which can cause competition for it.

**Session 4 Core Reading:** Chapter 11. “Socioeconomic Factors” (85-96). Bios: Alain Enthoven

**Additional Optional Readings:**

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**Week 5: Session 5, February 25th**

**Lecture: Role of Governments and the Private Sector**

**Session 5 Objectives:** At the end of this session the student will be able to use economic principles to analyze the appropriate role of governments and the private sector in health policy, health systems and clinical management of patients.

**Session 5 Core Contents:** The health care debate in public policy is often informed by naïve ideology and not sound economic theory. Often, politicians subscribe to a moral order system or belief about the role of governments in public life that guides biases towards provision of health care as well. The ideological spectrum spans: individual savings accounts and catastrophic coverage, tax credit or voucher programs combined with group purchasing arrangements, and expansions of public-sector health insurance. These approaches are advocated by health care conservatives, moderates and liberals, alike. U.S. health care markets rely extensively on competition to control costs and improve quality. Critics question whether problems with adverse selection, moral hazard, information asymmetries, demand inducement, and practice variations can be addressed by private markets. Competition has fostered reductions in prices, but consolidation by providers and, to a lesser extent, insurers, has tempered this effect. At the other extreme are the Canadian, European and Australasia health care systems where the balance between government intervention and the private sector is slanted much more towards a dominant role of the state.

**Session 5 Core Reading:** Chapter 11. “Socioeconomic Factors” (85-96). Bios: Alain Enthoven.

**Homework assignment due.**

**Advance Optional Readings:**

Individual selection used for take home assignment
Week 6: Session 6, March 4th
Lecture: Government and Market Failure in Health Policy and Health Care

Session 6 Objectives: At the end of this session the student will be able to use economic principles to analyze both government and failure in health policy, health systems and clinical management of patients.

Session 6 Core Contents: Although such market dynamics also apply in health care markets, there are important deviations. Market failure is a concept within economics describing when the allocation of goods and services by a free market is not efficient. That is, there exists another conceivable outcome where a market participant may be made better off without making someone else worse-off. In the health sector typical market failure is associated with information asymmetries, non-competitive markets, principal-agent problems, externalities, or public goods. The existence of a market failure is often used as a justification for government intervention in a particular market. Economists, especially health economists are often concerned with the causes of market failure and possible means of correction through taxes, subsidies, bailouts, wage and price controls, and regulations, including attempts to correct market failure. Such government intervention may however also lead to an inefficient allocation of resources, sometimes called government failure, including bureaucratic capture and public sector corruption.


Advance Optional Readings:


Week 7: Session 7, March 11th
Lecture: Economic Evaluation in Health Care

Session 7 Objectives: At the end of this session the student will be able to use economic principles in research, monitoring and evaluation, including clinical trials and the application to sectors such as pharmaceuticals, medical technology and information technology

Session 7 Core Contents: Economic evaluation techniques such as cost-benefit, cost-utility and cost-effectiveness studies play an essential role in the health sector. Distinction is made between the range economic evaluation available and their application to different aspects of the health sector. Other theories and concepts, including cost measurement, benefit valuation, and incremental decision-making also have an application to health care.

Session 7 Core Reading: Chapter 14. Economic Evaluations” (117-127). Bio: Joseph P. Newhouse.

Advanced Optional Readings:


Review for Exam: