

**Health Economics I
Principles**

HPAM-GP 4830-001

Professor Sherry Glied

Email: Sherry.Glied@nyu.edu

Office Hours: As posted on Wagner Website ♦ Office Location: Puck, Room 2100

Class will meet 4:55 pm to 6:35 pm on seven Tuesdays:

January 27, February 3, February 10, February 17, February 24, March 3, March 10

Bldg:SILV Room:408

Syllabus

The purpose of this course is to extend students' understanding of economic theory and empirical research in key areas of health economics and enable students to leverage that knowledge and apply it to timely issues in health policy and management.

Academic Integrity: Students are reminded that they have signed an Academic Oath at NYUWagner and they are bound by this oath and the principles of the academic code of the school. More details can be found here: <http://wagner.nyu.edu/current/policies/>

Late Assignment Policy: Extensions will be granted *only in case of emergency*, out of respect to those who abide by deadlines despite equally hectic schedules. Late submissions without extensions will be penalized 10% per 24-hour period.

Students with disabilities: Any students requiring accommodations should contact me to make proper arrangements. Please be prepared to share your documentation from the NYU disabilities office regarding appropriate accommodations.

Prerequisites: Microeconomics, Statistics I
Proficiency in Excel expected.

Requirements:

- Please do all required readings before class and be prepared to discuss the policy reading assigned each week.
- Assignments (75% of grade – 35%, 25%, 15%)
- Final exam – (25% of grade) – online – week of March 10

Assignments: All papers are to be submitted as an MSWord document attachment to iveliz.vazquez@nyu.edu. ***Be sure your name is on the document file and indicate 'HPAM-GP 4830' in the subject line.***

Required Text:

Title Health Economics

Authors Jay Bhattacharya, Peter Tu, Timothy Hyde

Publisher Palgrave Macmillan, 2013

ISBN 113702996X, 9781137029966

Competencies and Grades:

This course will address the following CAHME competencies:

- The ability to understand how policy and delivery processes work, and to consider the demographic, cultural, political and regulatory factors involved in and influencing health policy and management decision-making.
- The ability to synthesize evidence, and apply statistical financial, economic and cost-effectiveness tools/techniques in organizational analysis.
- The ability to present convincingly to individuals and groups the evidence to support a point of view, position or recommendation.
- The ability to communicate and interact productively (via listening, speaking and writing) on matters of healthcare with a diverse and changing industry, work force and citizenry.

Assignments, exams, and class participation in the course will assess progress against these competencies, and no student will receive a B or higher without demonstration of satisfactory progress towards mastery of each competency.

Grading:

Assignments 1 and 2 will ask you to examine a policy/management issue and to use data to support your answer in a memo, 2-3 pages in length. Each paper will be graded out of 50. In your response, you should:

- (1) Compose a clear, coherent, concise argument [20 points]
- (2) Apply theories learned in class [10 points]
- (3) Relate your analysis to at least one idea mentioned in the readings [5 points]
- (4) Analyze data accurately [5 points]
- (5) Use data to support your argument [10 points]

Session 1: January 27, 2015 – *Demand for Health, Health Production*

Objectives:

- Understand how economic models can be used to structure thinking around health policy issues
- Be able to use Grossman’s model of the production of health to analyze issues
- Become familiar with the literature on the relationship between income and health
- Learn approaches to addressing causal inference

Readings:

- Text Chapters 1, 3, 4
- Jack, W. (2011) *The Promise of Health: Evidence of the Impact of Health on Income and Well-Being* in S.Glied & P.C. Smith, *Oxford Handbook of Health Economics*. USA: Oxford University Press.
- Cutler, D. et al. (2006) “The Determinants of Mortality,” *The Journal of Economic Perspectives*, 20(3): 97-120.

Policy Issue Income and life expectancy

- (link):<http://www.nytimes.com/2014/03/16/business/income-gap-meet-the-longevity-gap.html>
- Deaton, A. Health in an Age of Globalization. *Brookings Trade Forum, Globalization, Poverty, and Inequality* (2004), p. 83-110.
<http://www.jstor.org/stable/25063191>

Assignment 1: Write a memo using Grossman’s model of the production of health to evaluate how NYC’s new sick leave law is likely to affect emergency room use (2-3 pages total). Use the articles and data on the course site to provide evidence in support of your argument. Due by the start of class February 3. ***Be sure your name is on the document file and indicate ‘HPAM-GP 4830’ in the subject line.***



Session 2: February 3, 2015 –*Infectious disease, Externalities* –assignment 1 due

Objectives:

- Become familiar with the problems of externalities in health
- Understand basic models of infectious disease transmission
- Learn to apply the Coase theorem

Readings:

- Text Chapters 20-21
- Laxminarayan, R. & Malani, A. (2011). *Economics of Infectious Diseases* in S.Glied & P.C. Smith, *Oxford Handbook of Health Economics* (189-196 only). USA: Oxford University Press.
- Philipson, T. (1996) “Private Vaccination and Public Health: an Empirical Examination for US Measles, *Journal of Human Resources*, 31(3); 611-630
- Manning, W. & Keeler, E. (1989). The Taxes of Sin: Do Smokers and Drinkers Pay their Way. *Journal of the American Medical Association*, 261(11), 1604-1609.

Policy Issue: Hospital Management of Antibiotics

- <http://online.wsj.com/articles/SB10001424052702304585004579419493198620498>



Session 3: February 10, 2015 – *Distribution of health spending/ Demand for insurance/adverse selection*

Objectives:

- Understand the sources of demand for health insurance
- Be able to apply the idea of utility maximization to potential states of the world
- Understand the idea of a separating equilibrium

Readings:

- Text Chapters 7, 8, 9, 10
- Cutler, D. & Zeckhauser, R. (1998). Adverse Selection in Health Insurance. *Frontiers in Health Policy Research, 1*, 11-22.
- Glied, S. & Remler, D. (2002). What Every Public Finance Economist Needs to Know about Health Economics. *National Tax Journal, 55*(4), 779-782.

Policy Issue: Voluntary Insurance

- Chandra, A., Gruber, J., & McKnight, R. (2011). The Importance Of The Individual Mandate — Evidence From Massachusetts. *New England Journal of Medicine, 364*(4), 293-295. (link)
- Kruk, M., Goldmann, E., & Galea, S. (2009). Borrowing and Selling to Pay for Health Care in Low- and Middle-Income Countries. *Health Affairs, July/August, 28*(4) 1056-1066. (link)

Assignment 1b: to be handed out



Session 4: February 17, 2015 – *Adverse selection continued/moral hazard* – Assignment 1b due. All papers are to be submitted as an MSWord document attachment to iveliz.vazquez@nyu.edu. ***Be sure your name is on the document file and indicate ‘HPAM-GP 4830’ in the subject line.***

Objectives:

- Understand strategies for addressing adverse selection
- Be familiar with the model of efficient moral hazard

Readings:

- Text Chapters 2, 11
- Glied, S. & Remler, D. (2002). What Every Public Finance Economist Needs to Know about Health Economics. *National Tax Journal, 55*(4), 771-777.

Policy Issue: Responding to Adverse Selection

- <http://www.nuffieldtrust.org.uk/talks/videos/wynand-van-de-ven-use-risk-adjustment-netherlands> [home page and first 5 minutes]
- Healthcare Benefits in India (link)
<https://www.towerswatson.com/en-IN/Insights/IC-Types/Survey-Research-Results/2010/04/Healthcare-Benefits-in-India>



Session 5: February 24, 2015 - *Moral Hazard-What Services Should Health Insurance Cover?*

Objectives:

- Understand the use of randomized experiments in health economics
- Recognize the welfare losses associated with moral hazard

Readings:

- Pauly, M. (1986). Taxation, Health Insurance, and Market Failure in the Medical Economy. *Journal of Economic Literature*, 24(2), 638-665.
- Manning, W.G, Newhouse J.P., Duan, N., Keeler E.B. & Leibowitz, A. (1987). Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment *The American Economic Review*, 77(3), 251-277.

Policy issues: Mental Health Parity and User Fees

- Melek, S. (2005). The Costs of Mental Health Parity. *Health Section News*, 49
- Waiswa, WP. The impact of user fees on access to health services in low- and middle-income countries. (link)
http://apps.who.int/rhl/effective_practice_and_organizing_care/cd009094_waiswaw_com/en/

Assignment 2: dental coverage – due March 3, 2015. (All papers are to be submitted as an MSWord document attachment to iveliz.vazquez@nyu.edu. **Be sure your name is on the document file and indicate ‘HPAM-GP 4830’ in the subject line**)

Write a 2-3 page memorandum recommending whether (and what type) dental coverage should be included in an essential health benefits requirement for adults. In developing your recommendation, consider the price elasticity of demand for health insurance as well as the other theories discussed in class. The excel spreadsheet on the course site contains information on dental coverage and utilization from the 2011 Medical Expenditure Panel Survey. Use these data to buttress your argument.



Session 6: March 3, 2015 - *Economic Evaluation of Health Interventions* – Assignment 2 Due, Assignment 3 handed out

Objectives:

- Understand the basic methods of economic evaluation of health interventions
- Recognize the difference between cost-saving and cost-effective
- Be able to discuss the problems of cost-effectiveness analysis

Readings:

- Text Chapter 14
- (link): http://www.cdc.gov/dhdspp/programs/nhdsp_program/economic_evaluation/ (reference only)
- Werner EF, Wheeler S, Burd I (2012) Creating Decision Trees to Assess Cost-Effectiveness in Clinical Research. *J Biomet Biostat* 57:004.
- Roberts, MS, Tsevat J. (2014) Decision Analysis. <http://www.uptodate.com/contents/decision-analysis#H3>
-

Policy issue: Sovaldi (link)

- <http://www.medicaldaily.com/pricey-sovaldi-ends-being-cost-effective-hep-c-treatment-prisoners-bitter-pill-swallow-307540>

Assignment 3: Cost effectiveness analysis assignment (on course site). You may do this assignment in groups of up to 3 people. All papers are to be submitted as an MSWord document attachment to iveliz.vazquez@nyu.edu. **Be sure your name is on the document file and indicate 'HPAM-GP 4830' in the subject line.**



Session 7: March 10, 2015 - *Agency – How Should Health Professionals be Paid?* – Assignment 3 Due

Objectives:

- Understand the problem of agency and its application to health care
- Recognize the different ways of compensating health care providers and the incentives these generate

Readings:

- Text Chapter 5
- Randall, E.P. & McGuire, T.G. (1993) Supply-side and Demand-side cost sharing in Health Care. *Journal of Economic Perspectives*, 7(4), 135-151.
- Christianson, J.B. & Conrad, D.(2011). Provider Payment and Incentives in S.Glied & P.C. Smith, *Oxford Handbook of Health Economics* (624-648). USA: Oxford University Press.

- Kolstad, Jonathan T. 2013. "Information and Quality When Motivation Is Intrinsic: Evidence from Surgeon Report Cards." *American Economic Review*, 103(7): 2875-2882. <http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.103.7.2875>

Policy issue:

- Mitchell, Jean M. "Urologists' use of intensity-modulated radiation therapy for prostate cancer." *New England Journal of Medicine* 369.17 (2013): 1629-1637.