

Health Economics
HPAM-GP 4830-001
Kai Hong
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Office Hours: 5:00 pm-6:30pm, Monday and 10:00am-11:30am, Thursday
Office Location: Puck, Room 3034

Class will meet September 5 to October 17 on seven Tuesdays:
September 5, September 12, September 19, September 26, October 3, October 10, October 17

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 NYU Wagner 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 20% 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.

Requirements:

- Please do all required readings before class and be prepared to discuss the policy reading assigned each week.
- Assignments (five, 15% of grade each)
- Final exam – (25% of grade) – take home – week of October 17

Required Text:

Title Health Economics
Authors [Jay Bhattacharya](#), [Peter Tu](#), [Timothy Hyde](#)
Publisher Palgrave Macmillan, 2013
ISBN 113702996X, 9781137029966

Assignments: All assignments are to be submitted before the start of class on their due date. Answer keys will be posted on NYU Classes by the midnight of due date.

Competencies and Grades:

Assignments and the final exam in this course will be used to assess progress against the competencies listed below. No student will receive a B or higher without demonstrating satisfactory progress toward mastery of each competency. The level of competency expected to be achieved is denoted in brackets according to the following key:

[1] = Basic: Foundational understanding of knowledge/skill/competency

[2] = Intermediate: Student demonstrates greater depth of understanding of this knowledge/skill/competency and can use this ability to analyze a problem

[3] = Advanced: Student demonstrates expertise in this knowledge/skill/competency and can use this ability to evaluate, judge, and synthesize information

- 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.

Session 1: September 05, 2017

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

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.

Krugman, Paul. <http://krugman.blogs.nytimes.com/2016/01/02/making-and-using-models/?smid=nytcore-ipad-share&smprod=nytcore-ipad>

Policy Issue Income and life expectancy

Case, Anne, and Angus Deaton. "Rising morbidity and mortality in midlife among white non-Hispanic Americans in the 21st century." *Proceedings of the National Academy of Sciences* 112.49 (2015): 15078-15083.

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--Due before the start of class on September 12

Session 2: September 12, 2017 –Assignment 1 due before class starts

Infectious disease, Externalities

Objectives:

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

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

Policy Issue: Hospital Management of Antibiotics

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

Assignment 2--Due before the start of class on September 19

Session 3: September 19, 2017 –Assignment 2 due before class starts

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

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.

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.

Assignment 3--Due before the start of class on September 26

Session 4: September 26, 2017 – Assignment 3 due before the start of class.

Adverse selection continued/moral hazard

Objectives:

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

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: <https://www.towerswatson.com/en-IN/Insights/IC-Types/Survey-Research-Results/2010/04/Healthcare-Benefits-in-India>

Assignment 4--Due before the start of class on October 03

Session 5: October 03, 2017-*Assignment 4 due before the start of class.*

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

Text Chapters 2, 11

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.

http://apps.who.int/rhl/effective_practice_and_organizing_care/cd009094_waiswaw_com/en/

Assignment 5--Due before the start of class on October 10

Session 6: October 10, 2017 - *Assignment 5 due before start of class*

Economic Evaluation of Health Interventions

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

Text Chapter 14

Five-Part Webcast on Economic Evaluation:

http://www.cdc.gov/dhdsp/programs/nhdsp_program/economic_evaluation/

Policy issue: Sovaldi

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

Session 7: October 17, 2017 – Final exam will be handed out.

Due date: 6pm EST, October 19, 2017.

Agency – How Should Health Professionals be Paid?

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

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.