

**UNIVERSITY OF COLORADO**  
**Department of Economics**  
**Economics 4999-001**  
**Economics in Action: Health Economics**  
**Spring 2006**

**Professor Tania Barham**

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**Office Hours:** Wednesday 4:30pm - 6:30pm and Friday 11-12 am in Economics 14C  
Extra office hours will be scheduled before exams.  
**Course Website:** To be announced

**Course Description**

Health economics is a growing field and is an important aspect of public policy in developed and developing countries. The purpose of this course is to encourage students to read, think, and do research on issues in health economics. This course will cover issues there are pertinent to the US, other developed countries and developing countries. In order to help ready students for their working careers, students will be asked to use and improve their research and communication skills (writing and speaking) as well as their ability to work in groups. These skills will be developed while they learn about topics in health economics.

**Course Organization**

This course will comprise three parts. Part 1 will cover about a third of the time. During this time I will lecture on some of the basic concepts that underpin Health Economics. During part 2 of the course, which will last approximately 5 weeks, you will work on your research and presentation skills by doing a group paper and lecture. Finally, during the last part you will present your individual projects.

**Prerequisites**

While there are no official course pre-requisites, students will be expected to be comfortable with the material from intro and intermediate micro or willing to put in some extra time to learn the material necessary. Some familiarity with calculus will be helpful for comprehending some of the reading material. An exposure to regression analysis will also be useful for understanding the material. Students who are unsure about their preparation for the course should speak with me after class.

**Textbook**

The required textbook is:

Sherman Folland, Allen Goodman, and Miron Stano. *The Economics of Health and Health Care* (4<sup>th</sup> Edition). Pearson Prentice Hall Press. ISBN: 0-13-100067-5. This book is not in the University Book store but you can get it easily online. Check [www.bestbookbuys.com](http://www.bestbookbuys.com) and amazon.com for used versions.

Two good texts from a developing country perspective are:

William, Jack. *Principles of Health Economics for Developing Countries*, World Bank Institute, The World Bank, Washington DC

Musgrove, Philip. *Health Economics in Developing Countries*. The World Bank, Washington DC

## **Evaluation:**

Evaluation for this course will be based on a mid-term exam, individual project and group project. There will be no make-up exam so make sure you are there. Early on in the semester I will divide the class in small groups of 4 or 5 members. To prevent free riding, each member of a group will be asked to grade the efforts of the other group members. The projects are described at the end of the course outline.

Written projects are due in class. There will be severe penalty for late projects: you will lose a full grade level for each day beyond the due date (i.e. an "A" paper that is handed in a day late will receive a "B"). Note I count the first day late to be after class on the day it is due.

<b>PROJECT</b>	<b>DUE DATE</b>	<b>PERCENTAGES</b>
<b><u>Mid-Term Exam</u></b>		<b>20 %</b>
<b><u>Individual Project</u></b>		<b>35 %</b>
Country Choice	Jan 30 send to me by email	
Stage 1	Feb 15	10
Stage 2	March 15	10
Stage 3	April 12	10
Oral Presentation		5
<b><u>Group Project</u></b>		<b>25%</b>
Class notes	2 days before oral	20
Oral Presentation		5
<b><u>Participation</u></b>		<b>20 %</b>
Group Participation		5
Class Participation		15

## Tentative Class Schedule

(note this schedule will change when groups are formed)

WEEK	DATE	Monday	Wednesday
1	Jan 16, 18	No Class	Syllabus Review and Introduction
2	Jan 23, 25,	Health and Economic Development	1. Definitions of Health 2. Modeling of Health Production
3	Jan 30, Feb 1	Modeling of Health Production continued	Research Methods: Library session
4	Feb 6, 8	Equity, Efficiency and Need	Rational for Government Intervention
5	Feb 13, 15	Insurance	Impact Analysis
6	Feb 20, 22	Workshop on Presentation Skills & Data Sources	<b>MID-TERM EXAM</b>
7	Feb 27, Mar 1	<i>Groups 1 &amp; 2 meet with Professor in Office</i>	<i>Groups 3 &amp; 4 meet with Professor in Office</i>
8	Mar 6, 8	Student Lecture Grp 1:	Student Lecture Grp 2:
9	Mar 13, 15	Student Lecture Grp 3:	<i>Groups 5 &amp; 6 meet with Professor in Office</i>
10	Mar 20, 22	Student Lecture Grp 4:	Student Lecture Grp 5
11	Mar 27, 29	<b>MARCH BREAK ENJOY!</b>	
12	Apr 3, 5	<i>Group 7 meet with Professor in Office</i>	Student Lecture Grp 6
13	Apr 10, 12	Student Lecture Grp 7	TBA
14	Apr 17, 19	individual presentations	individual presentations
15	Apr 24, 26	individual presentations	individual presentations
16	May 1, 3	individual presentations	TBA

### **Students with Disabilities:**

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services by January 30th so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. University policies regarding disabilities are available at [www.colorado.edu/disabilityservices](http://www.colorado.edu/disabilityservices). Disability Services can be contacted by telephone at (303) 492 8671 or in person at Willard 322.

### **Religious Observances:**

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments, or required attendance. If you have a conflict due to a religious obligation, please see me by January 30<sup>th</sup> so that alternate arrangements can be made. Policies regarding religious practice are available at [www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html).

### **Academic Misconduct:**

All students are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu), (303) 725 2273). Students who are found to be in violation of academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at [www.colorado.edu/policies/honor.html](http://www.colorado.edu/policies/honor.html) and at [www.colorado.edu/academics/honorcode](http://www.colorado.edu/academics/honorcode).

### **Sexual Harassment:**

The University of Colorado Policy on Sexual Harassment applies to all students, staff, and faculty. Sexual harassment is unwelcome sexual attention. It can involve intimidation, threats, coercion, or promises or create an environment that is hostile or offensive. Harassment may occur between members of the same or opposite gender and between any combination of members in the campus community: students, faculty, staff, and administrators. Harassment can occur anywhere on campus, including the classroom, the workplace, or a residence hall. Any student, staff, or faculty member who believes s/he has been sexually harassed should contact the Office of Sexual Harassment (OSH) at (303) 492 2127 or the Office of Judicial Affairs at (303) 492 5550. information about the OSH and the campus resources available to assist individuals who believe they have been sexually harassed can be obtained at [www.colorado.edu/sexualharassment](http://www.colorado.edu/sexualharassment).

## **GROUP PROJECT**

The objective of this project is to research a particular topic in health economics. You will form groups of approximately 4 people. There are some topics which are developing country focused and others that are developed country focused. Your research output will take the form of class notes (to be made available to students 2 days before you lecture) and an oral presentation – you will teach a class. You will also be asked to provide a question on the other topics. This will help to ensure you get your participation grades.

### **Office Meeting:**

I will meet with each group at least a week before they are to give their oral presentation. During this meeting you should bring the research materials you have found with you and be ready to discuss what you think you would like to say in your lecture. If require I will help you find more background material.

### **Class Notes:**

The class notes should be concise. I suggest no more than 15 pages long. You can email me these notes and I will post them on the web. You may also want to email them to the class. These readings must appear in a bibliography attached to the class notes.

### **Questions:**

You must prepare one or two questions for each lecture and hand the question(s) into me at the beginning of class. You can use the class notes to develop your questions. You will be awarded participation points for handing in your questions. You will receive 0 points if you do not hand in a question, 1 point for an irrelevant question, and 2 points for a relevant question(s).

### **Oral Presentation:**

You will teach a class on one of the topics below. You may suggest a topic and I will add more topics if needed. You should plan on talking for an hour and leave 15 to minutes for class discussion and wrap up.

Suggested List of Topics:

1. Drug Policy in the Developed World
2. Drug Policy in the Developing World
3. The Economics of HIV/AIDS
4. Social Insurance in the US: Medicaid and the Managed Care Revolution
5. User-fees in Developing Countries
6. Health Savings Accounts

## **INDIVIDUAL PROJECT**

The objective of this project is to become familiar with the health system in a country of your choice, to describe the health challenges facing the country and prescribe a potential policy solution. You may not choose the US. The project will consist of 4 stages:

### **Stage 1: Overview of the Health Care System -**

Produce a maximum 2-page executive summary plus bibliography. It should outline the country's health care system. You may want to note:

- When it was created and what were the forces that lead to its creation.
- Is there a private and public sector?
- Who does the public sector cover? Who does the private sector cover?
- What type of insurance system is available (universal, employment-based)
- How is care delivered (by the private , public sector or NGOs)

### **Stage 2: Performance of the Health Care System**

Produce a maximum 2-page executive summary plus tables. In this summary you want to use health data to report on the performance of the health care system. It is always good to make comparisons so you may want to report how your country is doing compared to the average for other countries in the region and other countries at a similar level of income (i.e. low income, middle income, high income or OECD countries). Based on the data and your readings outline some of the challenges you think this country faces.

### **Stage 3: Problems and Solutions**

Produce a maximum 2-page executive summary plus bibliography. In this summary you want to outline one or two important health care problem the country is facing and either:

1. Suggest a change in health care policy (health care reform) and the economic rationale for this reform.
2. Describe how the country is tackling this problem and provide a critique using economic rationale.

### **Stage 4: Oral Presentation:**

You should plan a presentation reviewing the three stages of your project. Once we have the final class numbers I'll let you know the length of the presentation.

## TENTATIVE COURSE SCHEDULE AND READINGS

Abbreviations used for Textbooks:

- Folland: Folland, Goodmand, and Stano. *The Economics of Health and Health Care*, 4<sup>th</sup> edition, Pearson Prentice Hall Press.
- William: William, Jack. *Principles of Health Economics for Developing Countries*, World Bank Institute, The World Bank, Washington DC
- Mugrove: Musgrove, Philip. *Health Economics in Developing Countries*. The World Bank, Washington DC
- Feldstein: Feldstein, Paul. *Health Care Economics*, 5<sup>th</sup> edition, Delmar Publishers
- Getzen: Getzen, Thomas. *Health Economics: Fundamentals and Flows of Funds*. Wiley Press, 2004.
- Phelps: Phelps, Charles. *Health Economics*, 2<sup>nd</sup> edition, Addison-Wesley.

### **Jan 18 Introduction**

Folland Ch 1

Feldstein, Martin, 1995, "The Economics of Health and Health Care: What Have We Learned? What Have I Learned?" *The American Economic Review*, Vol. 85, No. 2, Papers and Proceedings of the Hundredth and Seventh Annual Meeting of the American Economic Association Washington, DC, January 6-8, 1995., pp. 28-31.

Reinhardt, Uwe E. 1989. "Economists in Health Care: Saviors, or Elephants in a Porcelain Shop?" *The American Economic Review*, Vol. 79, No. 2, Papers and Proceedings of the Hundred and First Annual Meeting of the American Economic Association. pp. 337-342.

#### *Supplementary Readings*

Pauly, Mark V. , 1968, "The Economics of Moral Hazard: Comment", *The American Economic Review*, Vol. 58, No. 3, Part 1., pp. 531-537.

Arrow, Kenneth J. 1963. "Uncertainty and the Welfare Economics of Medical Care" *The American Economic Review*, Vol. 53, No. 5., pp. 941-973.

Reinhardt, Uwe. 2001. "Can Efficiency in Health Care be Left to the Market?" *Journal of Health, Politics, Policy and Law*, 26.5, pp967-992.

### **Jan 23 Health and Economic Development**

Strauss, John and Duncan Thomas. 1998. "Health, Nutrition, and Economic Development" *Journal of Economic Literature*, Vol. 36, No. 2. (Jun., 1998), pp. 766-817.

Sala-i-Martin, Xavier. 2005. "On The Health Poverty Trap," in Guillem Lopez-Casasnovas, Berta Rivera and Luis Currais eds. *Health and Economic Growth: Findings and Policy Implications*. MIT Press. READ section 2.

Miguel, Edward. 2005. "Health, Education and Economic Development," in Guillem Lopez-Casasnovas, Berta Rivera and Luis Currais eds. *Health and Economic Growth: Findings and Policy Implications*. MIT Press.

Dean Jamison, Jeffrey Sachs and Jia Wang. 2001. "The Effect of the AIDS Epidemic on Economic Welfare in Sub-Saharan Africa" WHO Commission on Macroeconomics and Health, WG 1 Paper13, [www.cmhealth.org](http://www.cmhealth.org).

*Supplemental Reading*

Miguel, Ted and Micheal Kremer. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica*, 72 (1), 159-217.

Bloom, David, David Canning and Jaypee Sevilla. November 2001. "The Effect of Health on Economic Growth: Theory and Evidence", NBER Working Paper 8587.

**Jan 25, 30 Measures of Health, Modelling Health Production and Demand for Health Care**  
Folland Ch 4.and 5

Sala-i-Martin, Xavier. 2005. "On The Health Poverty Trap," in Guillem Lopez-Casasnovas, Berta Rivera and Luis Currais eds. *Health and Economic Growth: Findings and Policy Implications*. MIT Press. (READ section 1).

Deaton, Angus. 2003. "Health, Inequality, and Economic Development," *Journal of Economic Literature*, Vol. 41, No. 1. pp. 113-158.

Gertler and van der Geest. 1990 Chapter 2 (pages 5-15)

*Supplementary Readings*

Feldstein Ch 2, Phelps Ch 3

Williams Ch 2 "Health Status and Trend" and Ch 3 "Determinants of Health"

Musgrove Ch18 "Family Health Care Spending in Latin American"

Grossman, Michael. 1972. "On the Concept of Health Capital and the Demand for Health" *The Journal of Political Economy*, Vol. 80, No. 2. pp. 223-255.

Rosenzweig, Mark and Paul Schultz. 1983. "Estimating a Household Production Function: Heterogeneity, the Demand for Health Inputs, and Their Effects on Birth Weight" *The Journal of Political Economy*, Vol. 91, No. 5., pp. 723-746.

Case, Anne, Darren Lubotsky; Christina Paxson. 2002. "Economic Status and Health in Childhood: The Origins of the Gradient" *The American Economic Review*, Vol. 92, No. 5. , pp. 1308-1334.

The journal Health Affairs has devoted the March/April 2002 issue to determinants of health.

## **Feb 6 Equity, Efficiency and Need**

Folland Ch 17

Reinhardt, Uwe. 2001. "Can Efficiency in Health Care Be Left to the Market?" *Journal of Health Politics, Policy and Law*, 26(5), pp967-992

## **Feb 8 Rational for Government Interventions**

Folland Ch 18

Phil Musgrove. 2004. "Chapter 2: Public and Private Roles in Health" in Phil Musgrove ed. *Health Economics in Development*. The World Bank: Washington DC.

Gertler, Paul and J. Van der Geest. 1990. *The Willingness to Pay for Medical Care: Evidence from Two Developing Countries*. Baltimore, MD: John Hopkins University Press. Chapter 2 pages 15-21.

Fuchs, Victor and Ezekiel Emanuel. 2005. "Health Care Reform—Why, What, When?" *Health Affairs*, Vol 24, Issue 6, 1399-1414.

### *Supplementary Reading*

Cutler, David. 1994. "A Guide to Health Care Reform," *The Journal of Economic Perspectives*, Vol. 8, No. 3., pp. 13-29.

*World Development Report 1993: Investing in Health*. Ch 3 "The roles of the government in the market in health."

Williams Ch 7

## **Feb 13 Insurance**

Folland Ch. 7, Ch 8 pages 179-181, Ch 9 pages 190-195.

Gertler, Paul and Jonathan Gruber. 2002. "Insuring Consumption against Illness," *The American Economic Review*, Vol. 92, No. 1, pp. 51-70.

Cutler, David. 1994. "A Guide to Health Care Reform," *The Journal of Economic Perspectives*, Vol. 8, No. 3., pp. 13-29. (Read section Health Care That's Always There (p.18-20) and section Universal Health Care (p. 20-21)).

Urbina Ian. *In the Treatment of Diabetes, Success Often Does Not Pay*. New York Times, January 11<sup>th</sup> 2006.

### *Supplementary Reading*

Pauly, Mark. 1974. "Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection," *The Quarterly Journal of Economics*, Vol. 88, No. 1., pp. 44-62.

Pauly, Mark. 1968. "The Economics of Moral Hazard: Comment" *The American Economic Review*, Vol. 58, No. 3, Part 1, pp. 531-537.

Cutler, David and Sarah Reber, 1998 "Paying for Health Insurance: The Trade-Off Between Competition and Adverse Selection," *Quarterly Journal of Economics*, 113, pp433-466

William, Jack. 2000. *Health Insurance Reform in Four Latin American Countries: Theory and Practice*, World Bank discussion paper.

**Feb 15 Impact Analysis – An Example of Conditional Cash Transfers**

Ravallion, Martin 2001. “The Mystery of the Vanishing Benefits: An Introduction to Impact Evaluation,” *The World Bank Economic Review*, vol. 15 (1), pp115-140.  
(skip section on instrumental variables pages 129 to 131).

Maluccio, John and Rafael Flores. July 2004. *Impact Evaluation of a Condition Cash Transfer Program: The Nicaraguan RED DE PROTECCION SOCIAL*, FCND Discussion Paper No. 184, International Food Policy Research Institute, Washington DC. (read pages 1-19 and the rest if interested).

Rawlings, Laura. August 2004. *A New Approach to Social Assistance: Latin America’s Experience with Conditional Cash Transfer Programs*. Social Protection Discussion Paper Series No. 0416. The World Bank, Washington DC.

*For Your Interest:*

World Bank website on Impact Evaluation: <http://www.worldbank.org/poverty/impact.htm>