

UNIVERSITY OF COLORADO
Department of Economics
Economics 4999-001
Economics in Action: Health Economics
Spring 2007

Professor Tania Barham

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Email: tania.barham@colorado.edu
Office Hours: Tuesday/Thursday 3:30pm – 5:30pm in Economics 14C
Extra office hours will be scheduled before exams.
Course Website: <http://www.colorado.edu/ibs/hb/barham/courses/hlthecon/>

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* (5th Edition). Pearson Prentice Hall Press. ISBN: 0-13-237978-3. This book is not in the University Book store but you can get it easily online. Check 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 unless otherwise indicated below. 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.

PROJECT	DUE DATE	PERCENTAGES
<u>Mid-Term Exam</u>		20 %
<u>Individual Project</u>		30 %
Country Choice	Jan 29 send to me by email	THIS IS A MONDAY
Stage 1	Feb 15 due in class	6
Stage 2	Mar 20 sent to me by email	6
Stage 3	April 10 due in class	8
Oral Presentation		10
<u>Group Project</u>		30%
Class notes	2 days before oral presentation- send to me by email	15
Oral Presentation		15
<u>Participation</u>		20 %
Group Participation		5
Class Participation		15

Tentative Class Schedule

WEEK	DATE	TOPIC	
		Tuesday	Thursday
1	Jan 16, 18	Syllabus Review and Introduction	Health and Economic Development
2	Jan 23, 25	Health Production Functions Demand for Health Care	Health Production Functions Demand for Health Care
3	Jan 30, Feb 1	Research Methods: Library session Hellems 145 from 2:45-4:15 pm.	Equity, Efficiency and Need
4	Feb 6, 8	Rational for Government Intervention	Health Insurance
5	Feb 13, 15	Health Insurance	Health Sector Reform
6	Feb 20, 22	Cost Benefit, Effectiveness and Utility Analysis	MID-TERM EXAM
7	Feb 27, Mar 1	Workshop on Presentation Skills & Data Sources	<i>Groups 1 & 2 meet with Professor in Office</i>
8	Mar 6, 8	<i>Groups 3 & 4 meet with Professor in Office</i>	Group 1 Lecture
9	Mar 13, 15	Group 2 Lecture	Group 3 lecture
10	Mar 20, 22	<i>Groups 5 & 6 meet with Professor in Office</i>	Class Canceled
11	Mar 27, 29	MARCH BREAK ENJOY!	
12	Apr 3, 5	Group 4 Lecture	Group 5 Lecture
13	Apr 10, 12	Group 6 Lecture	Individual presentations
14	Apr 17, 19	Individual presentations	Individual presentations
15	Apr 24, 26	Individual presentations	Individual presentations
16	May 1, 3	Individual presentations	Individual presentations

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 may want to prepare some thought provoking questions to help engage the class.

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.

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. Your class notes must include a complete bibliography of the material used to prepare the notes. Feel free to give the class a couple of readings if you think that would help the class participate.

Participation Points/Questions:

You must prepare 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). If you miss more than one class, you will get a zero for the participation points for this section. You will get more points if you ask the questions in class.

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 the expert on the health system of 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 4-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 sector, public sector, NGOs ?)
- How is health care financed (who pays what)

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 3-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*, 4th 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

Jan 16 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.

Supplementary Readings

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 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.

Jan 18 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.

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.

Dean Jamison, Jefferey 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.

Jan 23, 25 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.

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.

Gertler and van der Gaag. 1990 *The Willingness to Pay for Medial Care: Evidence from Two Developing Countries*. Baltimore, MD: John Hopkins University Press. Read Chapter 2 (pages 5-15)

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

Jan 30 Libaray Session

Feb 1 Equity, Efficiency and Need

Folland Ch 17

Associated Press. April 18th, “Health Insurers Are Near-Monopolies”.

Supplementary Reading

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 6 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.

Supplementary Reading

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

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

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

Feb 8, Feb. 13 Insurance

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

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 11th 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.

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

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 Health Sector Reform

Folland Chapter 22

Feb 20 Cost Benefit, Effectiveness and Utility Analysis

Folland Ch. 4

Gold, Marthe, David Stevenson, and Dennis Fryback. 2002. "HALYs and QALYs and DALYs, Oh My: Similarities and Differences in Summary Measures of Population Health," *Annual Review of Public Health*, 23:115-134

Supplemental Readings

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>

Students with Disabilities:

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and <http://www.Colorado.EDU/disabilityservices>

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 30th so that alternate arrangements can be made. Policies regarding religious practice are available at 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, (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 and at www.colorado.edu/academics/honorcode.

Sexual Harassment:

The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>

Learning Environment:

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the

instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at

<http://www.colorado.edu/policies/classbehavior.html> and at
http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code