

ECONOMICS 138A: ECONOMICS OF HEALTH, Part A (#)

Fall 2006, Center Hall 119, MWF 9:00-9:50

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Prerequisites: Econ 3, concurrent enrollment in Econ2 allowed.

Assessment: There are two inclass midterm exams, **Monday, October 16**, and **Monday, November 6**, each of which is worth 25% of your grade. The final exam is cumulative and is worth 50% of your grade. **The final is Wednesday, December 6, 8:00-11:00.**

Course Objectives: This course will examine the economic incentives faced by the producers in the health care sector (physicians, nurses, hospitals, nursing homes, pharmaceutical firms, and researchers). We will examine current government policies, and proposed reforms of government policies, that effect health producers. Note: 138B will focus the demand for medical care, the health insurance market, reasons for employer-provision of private sector health insurance and how this impacts the labor market, the interaction between health and labor supply, etc. as well as cross country comparisons.

Course Materials

Text: Herman Folland, Allen C. Goodman, and Miron Stano, *The Economics of Health and Healthcare*, 5th ed. (Upper Saddle River, N.J.: Pearson Education, Inc., 2004). The book is available at the bookstore. It is also fine to use the 4th edition of the textbook.

Additional Readings: Additional required reading are listed below and are available on Web CT.

Web CT: This is where you access the syllabus, class handouts, additional readings, your grades, a discussion board, etc.

Administrative Issues:

- (1) UCSD now has automated waitlists. If you have any questions regarding this procedure, you can contact the undergraduate advisors in Sequoyah Hall 245 or refer to Triton Link at <https://tritonlink.ucsd.edu/portal/site/tritonlink-preview/menuitem.b4448692267a11256ec5e210514b01ca?storyID=17736%20>
- (2) Exams are closed book: you may not use any notes, electronic devices, books or consult other classmates. If you believe an exam has not been graded properly, you may ask for a re-grade. I will then re-grade your entire exam. The re-graded score will be your grade for the exam. You may not ask for another re-grade or go back to your first grade.
- (3) Any student found guilty of academic dishonesty will earn a failing grade for the course. In addition to the academic sanction that I impose, the Council of Deans of Student Affairs will impose a disciplinary penalty. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

- (4) If you have a documented disability, please bring your documentation and come to talk to me as soon as possible so that I can make suitable accommodations for you. If you believe that you may have a disability and will desire accommodation, please register with the Office for Students with Disabilities, Building 202 University Center as soon as possible. For information on the steps for academic accommodation, please see <http://www-senate.ucsd.edu/manual/appendices/app3.htm>.

Class 1: 9/22 Why have a course devoted to the analysis of one market – the health market?

Week 1: 9/25 **The Market for Transplant Organs.** FGS, Chapter 1 and 2

Gary Becker, “How Uncle Sam Could Ease the Organ Shortage” *Business Week*, Jan 20, 1997.

U.S. Health Care System: Institutional Details, Empirical Regularities, and Current Policy Debates

Week 2: 10/2 **Physician Supply** (FGS, Chapter 15)

1. Decision to become a Physician: Costs and Benefits. FGS 344-348.

2. Physician Licensure: Quality Control or Monopoly Rents? FGS 347-352.

3. Asymmetric Information: Supplier Induced Demand? FGS, 206-211, 316-321

Gruber, Jonathan and Maria Owings, “Physician Financial Incentives and Cesarean Section Delivery,” *RAND Journal of Economics* (Spring, 1996)

Week 3: 10/9 **Medical Malpractice and Physician’s Decisions about Quality of Care**

Brennan, Troyen A., Colin M. Sox, Helen R. Burstin, “Relation between Negligent Adverse Events and the Outcomes of Medical-Malpractice Litigation” *New England Journal of Medicine*, 1996; 335:p. 1963-7.

Studdert, David, Michelle Mello and Troy Brennan, “Medical Malpractice” *New England Journal of Medicine*, Jan 15, 2004.

White, Michelle J., “The Value of Liability in Medical Malpractice” *Health Affairs*, Fall, 1994

Becker, Gary S. “How to Put the Right Cap on Punitive Damages” *Business Week*, New York: September 15, 2003.

Week 4: 10/16: **Midterm 1: Monday, October 16**

Market for Nurses, FGS 340-344

**Decision to become a Nurse: Costs and Benefits
Monopsony in the Nurse Market?**

Week 5: 10/23 **The Pharmaceutical Industry.** FGS, Chapter 17, 417

1. R&D and Incentives to Innovate

Weisbrod, Burton A., “Solving the Drug Dilemma” *Washington Post*, Op.Ed., August 22, 2003, A21

2. The FDA and Drug Safety and Efficacy

Becker, Gary S. "New Drugs Cut Costs and Medicare Can Help" *Business Week*, New York: March 22, 2004.

Becker, Gary S. "Get the FDA Out of the Way, and Drug Prices Will Drop" *Business Week*, New York: September 16, 2002.

3. Vaccines

Barder, Owen, Michael Kremer, and Heidi Williams, "Advance Market Commitments: A Policy to Stimulate Investment in Vaccines for Neglected Diseases" *Economists' Voice*, *Economists' Voice*, www.bepress.com/ev, February, 2006

Week 6: 10/30 **Nonprofit Firms**, FGS, Chapter 13.

Week 7: 11/6 **Midterm 2: Monday, November 6**

Hospitals: FGS, 294-303, 416, 433-449, 451-457.

1. Government Regulation: Rate Regulation and Certificate of Need (416, 433-449)

2. Anti-trust (FGS, 451-457)

Week 8: 11/13 **Managed Care**, FGS, Chapter 12

Manning, Willard G. et. al, "A Controlled Trial of the Effect of a Prepaid Group Practice on the Use of Services" *New England Journal of Medicine*, June 7, 1984.

Week 9: 11/20 **Relationship between Medical Care and Health**, FGS, Chapter 5. (old 6)

Cutler, David, Angus Deaton, and Adriana Lleras-Muney, (2006) "The Determinants of Mortality" *Journal of Economic Perspectives*, Vol. 20, No.3 p. 97-120.

NOTE: There will be no class Wednesday 11/22 or Friday 11/24

Week 10: 11/27 **Accounting for the Rise in Medical Care Costs**

Newhouse, Joseph P., "Rising Medical Care Costs: How Much Welfare Loss?" *Journal of Economic Perspectives*, Vol. 6 (3), Summer 1992, pp. 3-21.

Weisbrod, Burton A., "The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care and Cost Containment." *Journal of Economic Literature*, Vol. 29, June 1991, pp 523-552.

Final Exam: December 6, 8:00-11:00am