

HPM 715 Health Economics

Fall 2011

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Meeting Times and Location

Thursdays, 3:30 P.M. – 6:00 P.M., Rosenau Hall, Room 228

Objectives

This course will provide a broad overview of the field of health economics. The course will examine how standard concepts and methods in economics can be used to understand health-related decisions made by individuals and firms. It will also study the application of economics to health care policy, with a focus on how economic analysis can assist in the development of market and non-market solutions to various health care problems. Special emphasis will be placed on the use of econometric methods to answer key questions regarding health-related behavior and health care policy. The goals of the course are for students to

1. obtain an overview of topics in health economics
2. learn basic microeconomic theory and empirical methods
3. interpret and critically evaluate empirical research
4. understand different methods of evaluating the impact of policies and interventions
5. examine health policy topics using a micro-economic framework

Prerequisites

There are no formal prerequisites for this course. However, students should be comfortable with the use of quantitative methods and basic concepts in statistics. Much of the literature in health economics requires that readers be conversant in the language of economics, statistics and econometrics, so we will review these at the beginning of the course and also as needed during various points in the course.

Course Materials and Requirement

The primary textbook for this course will be The Economics of Health and Health Care, 6th edition, by Sherman Folland, Allen C. Goodman, and Miron Stano (Prentice Hall). This textbook will be used as a reference for several topics covered in class, and the exercises in the book may help prepare you for problem set and exam questions.

The course will also make extensive use of articles from peer-reviewed public health and economics journals. Many of these articles are available online through the UNC library's electronic reserve system (<http://eres.hsl.unc.edu/eres/coursepage.aspx?cid=2023&page=docs>). Articles not available here will be made available on Blackboard or can be downloaded from the UNC library's e-journals website (<http://www.lib.unc.edu/index.html?searchtab=ejournals>).

Each class will generally be based around a specific economic concept or policy issue. The course will rely extensively on published articles in order to give you exposure to practical applications of economic concepts and econometric methods to health-related topics. Multiple articles (listed below for each class) will generally be discussed during each lecture. It is strongly recommended that you read the assigned articles before each class. In addition to attending lectures and participating in the class discussion, reading the articles carefully will help you gain a full understanding of the topics discussed during each class.

The Blackboard website will be used to manage course documents, including assignments, announcements, and problem sets. Grades will be posted in the on-line grade book. Students should make sure that they can access Blackboard and that their listed e-mail address is accurate.

Grading

Student grades will be a weighted average of three components.

Problem sets	25%
Midterm exam	35%
Final exam	40%

There will be a total of four problem sets during the semester. These problem sets are designed to test your understanding of course materials and better prepare you for the midterm and final exams. Problem sets will typically be due one week after they are distributed, at the beginning of class. Late assignments will not be graded, except in extreme circumstances with the prior approval from the instructor. Final course grades will depend on the actual point distribution in the class at the end of the semester.

Class participation

The lectures will be designed to help you interpret and understand many of the concepts and results contained in the articles that are part of this course. However, coming prepared to class with questions from the readings and participating in the class discussion will be essential for ensuring that you (and your classmates) get the most out of the various research articles that will be discussed during the semester.

Ethics and Honor Code Policy

You are encouraged to work on problem sets independently, but allowed to collaborate before completing problem sets. To emphasize the importance of integrity and intellectual property in the profession, you are required on each assignment to list those individuals with whom you collaborated, and attribute from whom you have borrowed any specific ideas (such as the approach used to solve a homework problem). Exams must be done completely independently.

Please limit use of electronic devices only to class-related activities. The use of electronic devices in this class is encouraged only for taking notes, or quickly looking up information relevant to the discussion. The use of electronic devices for multi-tasking, checking e-mail, and sending instant messages is inappropriate, rude to the presenter, and inconsiderate to other class members.

Students are also reminded that they must at all times abide by the UNC Code of Student Conduct.

Course Evaluations

During a two week window at the end of the course, you will have an opportunity to complete an online course evaluation. More information on where to complete this evaluation will be provided at the end of the course. Your evaluation is essential for ensuring that future versions of this course respond to the needs of as many students as possible, and it is highly encouraged that you take the time to complete an evaluation.

Schedule and Reading List

* an asterisk denotes that the reading is optional

I. Introduction and Course Overview

Thursday, August 25

Sen A. More than 100 million women are missing. *New York Review of Books* 1990; 37(20).

Oster E. Hepatitis B and the case of missing women. *Journal of Political Economy* 2005; 1163:1216.
[skip Section II]

Das Gupta M. Explaining Asia's "missing women": a new look at the data. *Population and Development Review* 2005; 529-535.

* Ruhm CJ. A healthy economy can break your heart. *Demography* 2007; 44(4): 829-848

II. Overview of Microeconomic Concepts and Statistical Tools

Thursday, September 1

FGS Chapter 2

This class will provide an introduction to the supply and demand framework and its usefulness to studying the effects of various policy options.

Thursday, September 8

FGS Chapter 3

This class will provide an introduction to various econometric techniques used for estimating the causal effect of health interventions.

III. Cost-benefit and cost-effectiveness analysis

Thursday, September 15 – Problem set # 1 due

FGS Chapter 4

Sweat MD et al. Cost-effectiveness of nevirapine to prevent mother-to-child transmission in eight African countries. *AIDS* 2004; 18:1661-71.

Chandra A, AB Jena, JS Skinner. The pragmatist's guide to comparative effectiveness research. *Journal of Economic Perspectives* 2011; 25:27-46.

Cutler DM, E Richardson. The value of health: 1970-1990. *American Economic Review* 1998; 88(2):97-100.

[read entire paper, skipping equations (2) and (3)]

IV. Demand for health care and returns to health (including impact evaluation)

Thursday, September 22

FGS Chapters 5, 7, and 9

Thomas D, J Strauss. Health and wages: evidence on men and women in urban Brazil. *Journal of Econometrics* 1997; 77(1): 159-85.

* Fox M et al. The impact of HIV/AIDS on labour productivity in Kenya. *Trop Med and Int'l Health* 2004; 9(3):318-24.

* Thirumurthy H, M Goldstein, J Graff Zivin. The economic impact of AIDS treatment: labor supply in western Kenya. *Journal of Human Resources* 2008; 43:511-552.

Ashraf N, J Berry, JM Shapiro. Can higher prices stimulate product use? Evidence from a field experiment in Zambia. *American Economic Review* 2010; 100: 2383-2413.

V. Health Insurance – Moral hazard, adverse selection, and asymmetric information

Thursday, September 29

FGS Chapter 8 and 10

Manning WG, JP Newhouse, N Duan, et al. Health insurance and the demand for medical care – evidence from a randomized experiment. *American Economic Review* 1987; 77(3):251–77.
[read entire paper, except statistical methods]

Thursday, October 6 – Problem set # 2 due

Finkelstein A, S Taubman, B Wright, et al. The Oregon health insurance experiment: evidence from the first year. NBER Working Paper 17190. July 2011. <http://www.nber.org/papers/w17190>

Gruber J. Covering the uninsured in the United States. *Journal of Economic Literature* 2008; 46(3): 571–606.

Chandra A, J Gruber, R McKnight. The importance of the individual mandate – evidence from Massachusetts. *New England Journal of Medicine* 2011; 364:293-295.

Thursday, October 13

***** MIDTERM EXAM *****

Thursday, October 20

NO CLASS (Fall Break)

VI. Health Care Costs

Thursday, October 27

FGS Chapter 22

Finkelstein A. The aggregate effects of health insurance: evidence from the introduction of Medicare. *Quarterly Journal of Economics* 2007; 122(1):1-37.

Baicker K, D Goldman. Patient cost-sharing and healthcare spending growth. *Journal of Economic Perspectives* 2011; 25: 47-68.

Chandra A, J Gruber, R McKnight. Patient cost-sharing and hospitalization offsets in the elderly. *American Economic Review* 2010; 100:193-213.

Cuter DM, DP Ly. The (paper)work of medicine: understanding international medical costs. *Journal of Economic Perspectives* 2011; 25:3-25.

* Newhouse JP. Medical-care costs – how much welfare loss? *Journal of Economic Perspectives* 1992; 6(3):3–21.

VII. Social insurance, externalities, and government intervention

Thursday, November 3

FGS Chapter 21

Finkelstein A and R McKnight. What did Medicare do? The initial impact of Medicare on mortality and out of pocket medical spending. *Journal of Public Economics* 2008; 92:1644-68.

Duflo E. Child health and household resources in South Africa: evidence from the old age pension program. *American Economic Review Papers and Proceedings* 2000; 90(2):393-98.

* Almond DV, KY Chay, M Greenstone. Civil rights, the war on poverty, and black-white convergence in infant mortality in Mississippi. 2007.

Thursday, November 10 – Problem set #3 due

FGS Chapters 19

Miguel E, M Kremer. Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities. *Econometrica* 2004; 72(1):159–217.
[read up through the first two paragraphs of section 3 (p. 165)]

Chay KY, M Greenstone. The impact of air pollution on infant mortality: evidence from geographic variation in pollution shocks induced by a recession. *Quarterly Journal of Economics* 2003; 1121-1167.

VIII. Economics of risky behaviors

Thursday, November 17

FGS Chapter 23

Bhattacharya J, N Sood. Who pays for Obesity? *Journal of Economic Perspectives* 2011; 25: 139-158.

Dupas P. Do teenagers respond to HIV risk information? Evidence from a field experiment in Kenya. *American Economic Journal: Applied Economics* 2011; 3:1-36.

* Lakdawalla, D and TJ Philipson. 2006. "Economics of Obesity." Chapter 7. The Elgar Companion to Health Economics edited by Andrew M. Jones. Edward Elgar Publishing: Northhampton, MA.

* Wellings K et al. Sexual behavior in context: a global perspective. *Lancet* 2006; 368: 1706-28.

Wednesday, November 23 – *Problem set # 4 due*

Thursday, November 24

NO CLASS (Thanksgiving Day)

Thursday, December 1 – **contingency management and conditional cash transfers**

Volpp KG, et al. A randomized, controlled trial of financial incentives for smoking cessation. *New England Journal of Medicine* 2009; 360:699-709.

Banerjee AV, E Duflo, R Glennerster, D Kothari. Improving immunisation coverage in rural India: clustered randomized controlled evaluation of immunization campaigns with and without incentives. *British Medical Journal* 2010; 340:c2220.

Baird S, Chirwa E, McIntosh C, Ozler B. The short-term impacts of a schooling conditional cash transfer program on the sexual behavior of young women. *Health Economics* 2010; 19:S55-68.

Thursday, December 15, 4:00 PM * FINAL EXAM *****