

HEALTH ECONOMICS
ECON 450/001,002
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
FALL 2018 SYLLABUS¹

LOGISTICS

Department: Economics
Credit Hours: 3.0

Instructor: Andrés Hincapié
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Gardner 101
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Office Hours: T,Th 1:45PM-2:45PM

TA: TBD
Office Hours: TBD

Prerequisites: ECON 400 and 410, a grade of C or better in both courses is required; permission of the instructor for students lacking the prerequisites.

Textbook: Bhattacharya, Jay, Timothy Hyde, and Peter Tu. *Health Economics*. Palgrave Macmillan, 2014.

Lectures:

- ECON 450/001: T/Th 8:00 AM -9:15 AM (Gardner 0007)
- ECON 450/002: T/Th 12:30 PM -1:45 PM (Gardner 0007)

COURSE DESCRIPTION

Health and health care continue to be in the spot light. According to a study by the Pew Research Center, health care ranks fourth in terms of issues voters in 2016 considered “very important.”² Public attention on the topic is not misplaced. National health care expenditures as a percent of the GDP have been growing over the last 50 years but we rank

¹This version was compiled on August 17, 2018. Check Sakai or my website every Friday at 5PM for the latest compilation with the relevant papers to read for the following week.

²See <http://www.people-press.org/2016/07/07/4-top-voting-issues-in-2016-election/> Health care ranks fourth after “the economy,” “terrorism,” and “foreign policy.”

low among develop nations in public health measures such as life-expectancy and infant mortality.

In this class we will study the market for health and health care drawing from basic economic concepts to understand the choices of consumers and firms, as well as interactions between consumers, firms, and the government. The course is specially aimed at Economics undergrads. However, students from other social sciences with some background in basic economics and mathematics should also benefit from taking the course. Enrolled students should expect to learn the main features of health care markets, including the economic interactions from which it emerges.

The course will generally follow the textbook with added materials from the academic literature. In particular, we will employ research papers in the literature to study health policies under alternative paradigms of health care provision. Below is the tentative class schedule and a list that already introduces some of the readings.

COURSE GOALS AND KEY LEARNING OBJECTIVES

- Students will be familiar with basic national trends describing health and the healthcare sector as well as empirical results describing demand for healthcare.
- Students will understand the Grossman model of health production and its implications.
- Students will know different hypotheses explaining health disparities across socio-economics groups and will be able to analyze them in the context of an economic model.
- Students will understand economic arguments explaining unhealthy behaviors.
- Students will know basic characteristics of the market for physicians and will have a basic understanding of the role hospitals play in the supply of healthcare.
- Students will understand the concept of insurance and why individuals demand it.
- Students will understand and distinguish the concepts of adverse selection and moral hazard, and will be able to identify health-related situations in which they might emerge.
- Students will be familiar with the role of innovation and technology in healthcare markets.
- Students will understand common issues associated with designing health policies.
- Students will recognize the main approaches to healthcare provision adopted by nations around the world and their main motivations and obstacles.
- Students will have a basic understanding of different econometric methods that economists use to study health and healthcare.

GRADING

Your final grade will be determined as follows:

- Midterm (x2): 20%
- Final: 20%
- Problem sets (x3): 8% each
- Participation: 6%
- Student presentations: 10%

Your performance in the course will be evaluated using a combination of problem sets, exams, presentations and class participation:

- Problem sets will be posted at least a week before they are due and solutions will be made available in a timely fashion to allow for exam preparation (see schedule below). Groups of at most two people may work together in their problem sets and turn in one single set of solutions.
- Student presentations will be done by groups selected by the students themselves. Students will propose the topics and the instructor will approve them. The number of members in the group, as well as the time allocated for each presentation will depend on the number of students in the class.
- Class participation will be a way to foster and measure your engagement in class discussions. Participation will rely on readings that will be assigned prior to class. As we move forward in the semester, I will continue to populate the “Readings” column and will mark which readings are required and which ones are only suggested; required readings will be marked by a star. Some of the research articles listed will be fairly advanced for many of you. Hence, I do not expect you to read the entire paper and understand all the mathematics and econometrics, if there are any. Instead, I expect you to be able to read the intro of the paper and glance through the other sections to be able to capture the main ideas of the paper: What is the research question? How is it related to health economics? What is the authors’ answer? How do they reach that answer? And finally, make sure you build your own opinion regarding whether or not you find the paper compelling or relevant.
- Final exam is cumulative. Anything discussed in class can enter in the exams unless stated otherwise, even if it was not part of a problem set. For exams and problem sets students will get numeric grades on a 100 point base. At the end of the semester your participation will be deemed as “low,” “medium,” or “high,” which corresponds to scores 70, 85, 100. I do not curve grades. At the end of the semester, final numerical grades will be approximated to their closets integer and converted back to letter grades when reported to the system using the following conversion table:

Generally, review sessions for exams will be tournaments in which groups of students will compete for extra credits applicable to the following exam.

Letter Grade	Lower Limit	Upper Limit
A	95	100
A-	90	94
B+	87	89
B	83	86
B-	80	82
C+	77	79
C	73	76
C-	70	72
D+	65	69
D	60	64
F	0	59

POLICIES AND EXPECTATIONS

If a student misses a midterm, the weight of that midterm in the course grade will be added to the weight on the student's final. An exception will be made for University-approved absences;³ students with this type of absence may request a make-up examination at a time convenient to both student and instructor. I do not provide extra-credit activities to specific students to "boost" their grade. Hence, your best strategy is to work hard in every assignment and exam.

Engagement in the course (demonstrated through attention, comments, questions, active listening, and participation in in-class activities) is expected and a part of the learning experience. While I understand that students may not be able to attend every class, the student must likewise understand that an absence from class may result in missed information and, consequently, a lower grade. I will not (and cannot) replicate our hour-and-fifteen-minute class in my office hours. It will be your responsibility to obtain the missed information. Again, attendance will not be taken, but engagement and active participation will have a positive impact on your final grade through my perception of your commitment to learn.

During class, office hours, and I hope in your life in general, you shall refer to your fellow students and to your instructor with respect and civility. No discriminatory language or behavior will be allowed in the class. Additionally, due to prior experiences, I will only answer emails that are written in a professional manner. For reference, here is your recommended structure for a professional email:

Dear (*or other salutation word*) Dr. Hincapié,

Content.

Best (*or other ending words*),
Blue Ivy Knowles-Carter

Alternative proper *salutation words* include: "Good morning," "Good afternoon," "Good

³See <http://catalog.unc.edu/policies-procedures/attendance-grading-examination/>

evening,” “Hello,” “Hi.” Improper *salutation words* include: “Hey,” “Yo,” “Dude.” In general, just use your common sense to avoid coming across as a disrespectful student.

Laptops, tablets, phones, or similar devices are not prohibited during the lecture, except when in-class activities require so. However, I strongly discourage you to use them. You should be aware that using these devices may have negative externalities on your peers and interferes with your own learning.⁴ Numerous studies show that “disconnected” students perform significantly better than their “connected” peers.

You are expected to be honest and honorable in your fulfillment of course conduct, course assignments, and course exams. Adherence to the honor code is required.⁵

⁴See <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom>

⁵See <https://studentconduct.unc.edu/sites/studentconduct.unc.edu/files/documents/Instrument.pdf>

Tentative Schedule - Fall 2018

Week	Day	Date	Unit	Topic	Readings	Comments
1	T	8/21	Intro	Intro	Ch 1*, Cutler, Rosen, and Vijan (2006), Fuchs (2012)*	
1	TH	8/23	Demand	Demand for health care	Ch 2*, Finkelstein et al. (2012)*, Keeler et al. (1988) (Summary)	
2	T	8/28	Demand	Grossman model	Ch 3*, Grossman (1972)*	
2	TH	8/30	Demand	Grossman model	Kim and Ruhm (2012)*	
3	T	9/4	Demand	Health disparities	Ch 4*, Roseboom et al. (2001), Galama and van Kippersluis (2013)*	
3	TH	9/6	Demand	Health "bads"	Becker and Murphy (1988)*, Becker, Grossman, and Murphy (1994), Gilleskie and Strumpf (2005)*, Leibenstein (1950)	PS1 Posted
4	T	9/11	Supply	Supply of health care 1	Ch 5*, Schulman et al. (1999), Chan and Dickstein (2017)*	
4	TH	9/13	Supply	Supply of health care 2	Ch 6*, Gaynor, Mostashari, and Ginsburg (2017), Gowrisankaran and Town (2003)* (Intro and Background sections)	
5	T	9/18	Review	Review session for MT1		PS1 Due
5	TH	9/20	EXAM	MIDTERM EXAM 1		
6	T	9/25	Information	Demand for insurance	Ch 7*	
6	TH	9/27	Information	Demand for insurance	Ch 7*	
7	T	10/2	Information	Adverse selection	Ch 8*, Akerlof (1970)	
7	TH	10/4	Information	Adverse selection	Ch 9*	
8	T	10/9	Information	Adverse selection	Ch 9*	
8	TH	10/11	Information	Adverse selection	Ch 10*, Cardon and Hendel (2001)*	
9	T	10/16	Information	Moral hazard	Ch 11*	PS2 Posted
9	TH	10/18	NO CLASS	NO CLASS		Fall Break
10	T	10/23	Innovation	Pharmaceuticals and demand under innovation	Ch 12*, Papageorge (2016)	
10	TH	10/25	Review	Review session for MT2		PS2 Due
11	T	10/30	EXAM	MIDTERM EXAM 2		
11	TH	11/1	Innovation	Health technology assessment	Ch 14*	
12	T	11/6	Gov. Intervention	Externalities and public health	Ch 20*, Hamilton et al. (2018)*	
12	TH	11/8	Health Policy	Health policy conundrum	Ch 15*, Garber and Skinner (2008)*, Kyle and Williams (2017)*	Presentation rules
13	T	11/13	Health Policy	Beveridge model	Ch 16*, Ringard (2012)*	
13	TH	11/15	Health Policy	Bismark model	Ch 17*, Or et al. (2010)*, Ringard (2012)*	
14	T	11/20	Health Policy	American model	Ch 18*	PS3 Posted
14	TH	11/22	NO CLASS	NO CLASS		Thanksgiving Break
15	T	11/27	Health Policy	Student Presentations 1		
15	TH	11/29	Health Policy	Student Presentations 2		
16	T	12/4	Review	Review session for Final		PS3 Due
16	TH	12/6	NO CLASS	NO CLASS		Classes end on Dec 5
Finals	FR	12/7	EXAM	12PM-3:00PM, Section 002		
Finals	TH	12/13	EXAM	8AM-11:00AM, Section 001		

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