ECON 43565
Health Economics
Department of Economics
University of Notre Dame

Fall 2013
MW, 3:30pm – 4:45pm
204 DeBartolo Hall

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Class web page: http://www3.nd.edu/~wevans1/health_econ.html

Text and Readings:
There is no textbook for the course. Instead, the course will be focused around mandatory readings of academic articles that highlight important topics in health economics. The readings are available for download in PDF format from the class web page. For download, the readings require your netid. Students are expected to have read the papers in advance and be able to substantively discuss the work in class.

If you want to buy a textbook to assist you with the readings, I recommend Folland, Goodman and Stano, The Economics of Health and Health Care, Seventh Edition, Prentice Hall.

Office Hours: Mondays, 9:00am – 11:00am, Tuesdays, 2:00pm – 4:00pm, and by appointment.
I am never far from email. If you have a question, please feel free to contact me at wevans1@nd.edu.

Course Rationale:
Health care spending currently consumes over $2.6 trillion dollars which is 18 percent of gross domestic product. To give you some frame of reference, GDP in the manufacturing sector was about $1.8 trillion and $1.9 trillion in real estate, making the health care sector one of the largest in the US economy. These numbers are expected to escalate as the baby boom generating retires. Health care spending is also a large fraction of federal and state spending and again, these numbers are expected to grow over time as well. We have also embarked on an ambitious federal reform of the health care sector which is expected to cost $1 trillion over a 10-year period. Given these costs, it is imperative to understand the structure, conduct and performance among actors in this industry.

Course Theme:
The course is designed to illustrate how economists analyze topics related to the production of health and the delivery of health care. In many cases, economists think very differently about topics than health care professionals and other social scientists. Economists have time and time again demonstrated the importance of incentives in decision making and throughout the semester, we will demonstrate how incentives play an important role in this sector.

Course Objective:
The course is an advanced undergraduate course in economics and students are expected to have completed a course in intermediate micro economic theory. The course will provide students with a broad overview of important topics in health care, indicate current gaps in research, and
demonstrate successful research programs in the field. The bulk of the readings are empirical in nature and the course will stress how to test economic hypotheses. The course will however use extensively the tools of intermediate micro, so students must be familiar with the theoretical as well as empirical techniques in the discipline.

Expectations:
Students are expected to attend class, to read the assigned articles prior to class, to NOT be late to class, to participate in classroom discussions, to hand in assignments when due, to take tests when expected, and to NOT engage in academic dishonesty.

Evaluations:
Grades for the course will be based the maximum of your mid-term and your final exam, (25 percent of the course grade), five short précis which are short summaries of journal articles (5 percent each and 25 percent in total), class participation (25 percent of the course grade), and an original research paper (25 percent of the course grade).

Examinations: The mid-term examination will be held Wednesday, October 16th in the regular class room. The final exam is Thursday, December 19th from 4:15pm to 6:15pm. Note that if you are happy with your mid term exam grade, you can take a zero on the final since the grade is the max of the two scores.

Makeup exams will only be given for students who have a valid University excuse, applied for in writing and adequately documented. I must receive documentation within 48 hours of the missed exam. Please familiarize yourself with student responsibilities concerning missed exams, missed assignments, etc.

Précis: A précis is a short synopsis. The key source of information for this class will be a series of academic articles on health economics. An important skill for the job market is being able to distill a large block of information into its key components so that is understandable for another person. During the semester, you will be required to write five précis (two pages, double spaced, 11 point type, one inch margins) that summarize one of the academic readings in class. The précis will be assigned one to three weeks ahead of time. Once assigned, you must turn them in or you will get a zero for the assignment. A complete description of the assignment is on the class web page under assignments. The first précis is due next Monday.

Paper: This class is restricted in enrollment because it satisfies the college’s requirement for a writing-intensive course. Because undergraduate econometrics is required, I am requiring that students write an original empirical research paper. This is something that will take a considerable amount of time and it may not be what you had in mind for your senior year, but in the end, it is a lot more rewarding than taking another exam. The papers will be due the last day of class. I am hoping that the students that write the best paper will continue to work on them throughout the spring semester and submit the papers to the annual Bernoulli Awards contest that is run by the department. http://economics.nd.edu/undergraduate-program/bernoulli-awards/. The award was established by a Notre Dame alum who thought his most valuable undergraduate course was one that required an original research paper. They established the prize to encourage student participation in research. Since I also believe my senior honors thesis was the most important class I took, I agree with this assessment. With prize money ranging from $1000 to $5000, this is a reasonable goal. Three students from the Spring 2013 Health Economics class won Bernoulli awards, including one student that won $2,500.

To complete an original research report in one semester, you need to find a topic and data soon.
Topics must ask an answer a specific question. Given the time frame, topics must be tightly scripted and finite. I am NOT looking for a paper like “Devising a Fair and Just Health Care System.” To be honest, no one in their right mind would ask a 21 year old to answer that question. Instead, look for questions like “Did the Massachusetts Health Care Reform Lead to More Part Time Work?” or “The Impact of the ACA on Uninsurance Rates for Young Adults.”

Grades will be a function of the soundness of your econometric model and the quality of the exposition. The paper will be a minimum of 20 pages (including title page, text, figures, tables and references), double spaced, 11 point type, 1 inch margins.

Please familiarize yourself with the Undergraduate Academic Code of Honor: http://www.nd.edu/~hnrcode/docs/handbook.htm.

Office hours for the STATA consultant:
Because this is a writing intensive course, you will be required to complete an original empirical research paper on some aspect of health economics for this course. Students can use any statistical software package to write their papers but I can support SAS and STATA. I know some of you may have used R in econometrics but you can pick up STATA quite quickly.

The university recently hired and Economics Librarian. His name is James Ng and he has a PhD in economics. One of his tasks is to be a resource for undergraduates engaged in research. James can assist you in many aspects of your empirical research including finding data, reading data into STATA from another source, recoding variables, merging two data sets together, constructing the appropriate econometric model, etc.

James is available to answer you data and STATA questions during his office hours, which are 2:45pm – 4:45pm on Tuesday afternoons. James’s office is 114 Hesburgh Library and his email is james.ng@nd.edu.

I will be running an introduction to STATA class Friday, August 23rd from 2:00pm-3:15pm (room TBD) if anyone wants to brush up on their STATA skills.

As always, I can answer your data and STATA questions as well.

Problem sets:
Seven problem sets will be assigned during the semester. These problem sets are designed to gauge your understanding of the concepts discussed in class. Collaboration and discussion are encouraged in your work. Problem sets will not be graded or collected but I will distribute detailed answer keys. The problem sets will be indicative of what I will ask on the midterm exam.
Reading List
Health Economics/Evans/Fall 2013

All readings are required. Articles with a (#) are articles you can use for a precis.

I. Introduction – How do economists think about health issues

II. The production of health
   a. Statistics detour – difference-in-difference models
   b. An historical perspective

Folland, Goodman and Stano, Chapter 5.


c. Health and development: macro and micro perspectives


d. Statistics detour – Regression Discontinuity Design
e. **Modern correlates of health**


III. **The Government control of unhealthy behavior**

a. **Pigouvian taxes**

Folland, Goodman and Stano, Chapter 24.


b. **Do smokers and drinkers pay their way?**


(these next two articles should be reviewed in one précis)


c. **Explaining the rise on obesity and can taxes work again?**


Economics 94(11-12), 967-974.


IV. Health insurance and the demand for medical care

a. Choices under uncertainty and the role of insurance


b. Moral hazard

Folland, Goodman and Stano, Chapters 8 and 9.


c. Adverse selection

Folland, Goodman and Stano, Chapter 10.


d. **Employer-provided health insurance**

Folland, Goodman and Stano, Chapter 11.

For this section, it might be useful for you to review your class notes from intermediate micro economics on income and substitution effects.


Please look over this document and come to class with five interesting facts about the uninsured.


e. **The health benefits of insurance coverage**


#Hadley, Jack. 2007. “Insurance Coverage, Medical Care Use, and Short-term Health Changes Following an Unintentional Injury or the Onset of a Chronic Condition.” *JAMA* 297(10), 1073-1084.

f. **How health insurance interacts with the job market**


V. Medical technology and health care costs


VI. Physician Behavior

Folland, Goodman and Stano, Chapters 15-16.

Please check out the Dartmouth Atlas, [http://www.dartmouthatlas.org/](http://www.dartmouthatlas.org/), which is a fascinating graphical presentation of small-area variation. If you do not waste 3 hours looking at these graphs, you are not interested in health economics.


VII. Hospitals

Folland, Goodman and Stano, Chapter 21.


VIII. Health Care Reform

a. Some general comments on full scale reform


b. The Massachusetts experiment


c. The Affordable Care Act

The best synopsis of the ACA is found on the website of the Kaiser Family Foundation, [http://healthreform.kff.org/](http://healthreform.kff.org/)