

ISSUES IN HEALTH ECONOMICS

ECON 467a/EP&E 319a

Instructor: Howard Paul Forman, M.D., M.B.A.
Professor, Departments of Diagnostic Radiology, Public Health, and Management
Lecturer, Department of Economics

Time: Wednesdays, 3:30 PM – 5:20 PM (class will meet during reading week)

Location: WLH 202

TF: David Wagner

Objectives:

To provide the student with the foundation and background to understand policy, political, financial, and economic issues surrounding health and healthcare delivery. This class should provide a forum for discussion about current issues surrounding the financing and delivery of health care and their “micro” and “macro” economic implications.

The choice of topics for didactic discussion does not imply that these are the only or even the most major topics to understand. They do, however, form the basis for understanding how to think about healthcare as an economist. Students will learn how to analyze difficult issues; learn about stakeholders; explore emerging issues; and ultimately how to apply these skills to other areas of public sector finance.

Prerequisites:

Students *must* be Economics or EP&E majors, there will be no exceptions. I also teach Econ 170a (Economics of Healthcare and Public Policy- an introductory lecture course) in the fall, as well as MGT 698b (Healthcare Finance and Health Economics – a Graduate (SOM) course) and HPA 560b (Healthcare Finance and Delivery – a graduate EPH class) in the spring. Please see me or my website, <http://www.thehowie.com>, if you would like to learn more about these courses.

Format:

The class will begin with four full didactic/participatory sessions followed by half lecture/half policy discussions for the subsequent 6 or 7 sessions. Finally, the last two sessions (potentially three sessions) will include student presentations of their final paper with proper allowance for discussion and defense of the hypotheses presented. The final paper will not be a presentation of new research but should be an innovative and provocative challenge of existing healthcare finance, economics or health policy. Students enrolled as EP&E may choose a topic consistent with that major.

Students will be responsible for all required readings from the syllabus as well as relevant lay-press (*New York Times*, *Wall Street Journal*, *The Economist*, etc.) articles in order to cogently discuss the lecture's topic. Additionally, students in the past have found Kaiser's Daily Health Policy Report helpful. (http://www.kaisernetwork.org/Daily_reports/rep_hpolicy.cfm)

The default final version of the syllabus will always be the one that is linked to the course website.

COURSE REQUIREMENTS

- 1. Participation:** The course is seminar style where interchange and discussion are expected. Each lecture will have assigned readings, including the textbook; and optional recent articles and chapters. Additional readings may be distributed or linked to the class web page, as posted at <http://classesv2.yale.edu>. The first four classes will be mainly didactic lectures. Sessions 5 - 11 will focus on current topics including presentations by the students of current policy topics. While it may be difficult for some to freely participate, it is absolutely essential to the success of the class. Similarly, you cannot achieve a high grade in this class without substantial weekly class participation. From my perspective, this is one of the greatest challenges of a seminar. Even the smartest student cannot achieve a high grade in the absence of participation. On **October 15, 2008**, you will receive a mid-semester participation grade.
- 2. Reading Response:** Each student is expected to complete a 300-word response to any two of the required reading articles (not the textbook) throughout the semester. The two responses must be submitted during *different* weeks. The best responses critically engage the text in a creative, thought-provoking way. Please email your responses to David (david.wagner@yale.edu) before the class that the reading is due. Some responses may be posted on the classes server.
- 3. Policy brief:** The purpose of this assignment is to have you think about the impact of economic principles and political realities on the introduction of new or modified health policies. Most of these topics will be domestically oriented, though a few may be internationally focused. At the first session you will receive the schedule for policy briefs. You will then have the opportunity to email David with your topic of choice; first come, first served. However, there must be three briefs chosen from each unit- thus you may be randomly assigned if there are not enough volunteers. The first set of policy briefs will be due on the fourth session.

You must submit the *2-page* brief to me by the date your brief is due. Please also email a copy to David so that it can be posted to the classes server website. You should be prepared to discuss your topic at any session following its submission. Your policy brief, as well as your discussion of your topic, will contribute 15% to your final grade. The non-presenting students should prepare for the discussion by reading the brief on the website.

In addition, each student will be assigned to present a critical analysis of another student's brief. This *7-minute* analysis should include a quick summary of the writer's argument, as well as possible counterarguments, discussion questions, etc. The writer will then have the opportunity to rebut or confirm key points, before allowing for a subsequent class discussion.

- 4. The paper:** Each student must prepare a final paper on a specific health economic, policy, or healthcare finance topic. EP&E students may choose a more policy-oriented topic. The final paper also requires a formal presentation during the final two (possibly three) sessions of the course (see the next section for more details on the presentation).

Although there is no "correct" format for the paper, there are some expected standards:

- 12 point font, typed, double-spaced, 1-inch margins with numbered pages
- 10-40 relevant references, of which at least 5 should be from 2007-2008

- The paper should be between 10-15 pages. Longer or shorter papers may be appropriate, depending on the topic; a well-written short paper is far better than a poorly written long paper
- Figures, tables, etc. as needed; particularly appropriate for finance and quantitative papers

For the actual content of the paper, keep the following guidelines in mind:

- Be innovative (e.g. include a new way of viewing existing data or information) and expand on the current understanding of the topic, as illustrated in the literature
- Include material taught in class
- Include genuine micro- and macro-economic principles, when possible
- True financial modeling can be done and may be required for some topics; background in finance is not required
- Incorporation of prior coursework in economics is expected and will heavily influence grading.
- The paper should be suitable (if not ready) for publication

Approval of the topic for each paper is required, and a prospectus (100 to 200 words) must be submitted at the beginning of the October 15, 2008 class session. This document will be returned to you at the following session, with the intention of giving you ample opportunity to work on your paper throughout the rest of the semester. If you wish, you may select a topic which you have covered in another class; however, you *must* give me a copy of your previous work and advance it substantially in order to receive credit. Plagiarism, even from your own unpublished but previously submitted work, will not be tolerated.

The actual manuscript is due by email on **Friday, December 12, 2008** but may be submitted any time before that. I will be happy to discuss topics individually with any student.

Additional hints and suggestions from previous grading of papers:

- a. Avoid colloquialisms.
- b. Pejorative or inflammatory statements may work for a presentation, when used appropriately to engage the audience. Try to avoid them in your papers.
- c. Please make sure your references are complete and accurate. (Any formal referencing style is acceptable; MLA is standard.). More current and scholarly references reflect more favorably on your research.
- d. Risks must be weighed against reward. I will definitely reward papers that display an innovative twist. (Students in the past have done econometric analyses, surveys, etc. to enhance their content). On the other hand, if you do this terribly, it may have an adverse effect.
- e. Avoid rambling -Try to be concise and ordered in your writing.
- f. AVOID any typographical errors or grammatical mistakes: it indicates that you did not care.
- g. I do not consider Wikipedia a substantive reference, at this point in time. Please limit your use of such communal sources. Peer-reviewed literature should form the basis for your referencing.
- h. Do not overreach. A fifteen page paper is relatively short. Please pick a topic and stay focused.

5. The presentation: The final paper must be presented during the final sessions of the class. We will assign your presentations, randomly. You **MUST** be prepared to present when called on.

The presentation should be **10 minutes**, and there will be up to 5 minutes for discussion. Timing is very important as will be discussed in class.

Once we have a final roster for the class, we will know more precisely how many final presentation sessions will be needed and how long they will last.

6. Attendance: Attendance is required and will be taken– participation cannot occur in one’s absence! If you anticipate an absence or lateness (even by a few minutes), please email both David and me.

7. Quiz: During the week of **November 19, 2008**, a closed-book quiz will be administered outside of class during the evening. You will be given several time options to take this 2-hour quiz. Additional logistical details will be provided.

8. Grading:

- A. Classroom participation: 20%
- B. Reading responses: 5%
- C. Policy brief/Presentation: 15%
- D. Long Paper: 35%
- E. Presentation: 10%
- F. Quiz – 15%

COURSE MATERIALS

Books:

There is one required book: A Health Economics Primer, Shirley Johnson-Lans. 2006 (Available at the Yale Bookstore).

(If you are pre-med, then I would recommend that students read House of God prior to the first class. It is a paperback book published 25 years ago that is somewhat entertaining and definitely light reading. It is as relevant to today's medical practice as it was to that of the 1970's.)

There are several supplementary books listed below. These are listed for reference only. You may find them helpful for your final paper topic:

Handbook of Health Economics, Culyer AJ, Newhouse JP, editors (Elsevier 2000). This is probably the most complete and academically profound treatment of this topic. I would hasten to add that it is not a “handbook” by any stretch, unless you have acromegaly. It is a two-volume set. It is probably an essential first reference for any paper that you might be inclined to write for this course.

The Politics of Medicare, 2nd ed. Theodore R. Marmor (Aldine de Gruyter 2000)

Economics of the Public Sector, 3rd ed. Stiglitz J (Norton 2000). This is the premier book in this field, in my opinion. I would recommend purchase by anyone who would like to work in public policy, health policy, health economics, healthcare finance, or healthcare, in general.

Health Benefits at Work, Mark V. Pauly (University of Michigan Press 1997)

Optional Readings:

There are many optional readings. There is NO expectation that you will get to any or all of these. They are being offered to enhance your experience. They may also serve as a guide for your policy brief or your paper/presentation.

In addition, handouts will be distributed at the beginning of each lecture. All slides will be placed on the course web site.

Updates will be made available at the course web site on the classesv2 server.

CONTACT INFORMATION

Email: howard.forman@yale.edu

This is the preferred way to reach me. I am very accessible by email.

Office Hours:

By appointment. Please contact me via email (preferred) or at one of the offices below.

Medical School Office: Located at Yale School of Medicine; Department of Diagnostic Radiology; Chairman's Office – TE2 (You enter the Boardman Building (Directly across from the main entrance of the Sterling Hall of Medicine); proceed straight down a hallway; turn left at the information desk; Pass Bank of America; Up one flight of stairs; Turn left, passing two doors on your left; The third door on your left will be TE-2). Call 203-785-2384 (Linda Borer is my assistant) or 785-5252 if you need directions.

School of Management Office: Located at 55 Hillhouse Avenue; Garden Level. You can call Judi at 203-432-0345 for directions.

Office Telephone: 203-432-0345 (Judi Gargiulo is my Associate Director and can relay a message; I am much more reliably reached by email).

Teaching Fellow:

This semester's teaching fellow is David Wagner (JE '09). He can be reached via email at david.wagner@yale.edu. In urgent situations, he can be reached at 630-536-6509.

LECTURES AND READINGS

Please note: SJL = Shirley Johnson-Lans Text

**** indicates that the reading is considered seminal; while you will not be tested on this material, an understanding of its importance is considered a critical take-away from this class.**

Session 1: September 3, 2008

- Introduction – Overview of the course
- Schedule for Policy Briefs
- Introduction to health economics, healthcare finance, and healthcare reform
- Modifications since last semester

Required reading:

- SJL, Chapter 1 (pp. 3-18), The Subject Matter of Health Economics.
- “Where Do All the Dollars Go?” *The Economist*, Jan. 10, 2008.
- Anderson, G. F., & Chalkidou, K. (2008) "Spending On Medical Care: More is Better?" *JAMA*, 299(20), 2444-2445.

Optional reading:

- SJL, Appendix 1 (pp. 315 – 339), Brief Review of Economic Concepts and Tools of Analysis. (You can read this if you need any sort of refresher of this topic.)
- SJL, Appendix 2 (pp. 342 – 349), Introduction to Statistical Techniques. (See above.)
- Cutler DM, McClellan M. “Is technological change in medicine worth it?” *Health Affairs* 20:11-30; 2001.
- Scott, J. “Life at the top isn’t just better, it’s longer.” *The New York Times*, May 16, 2005.
- Part 4, Chapter 12 (pages 300-328) in: *Economics of the Public Sector* (3rd edition; New York: Norton, 2000); Stiglitz J.

Session 2: September 10, 2008

- National Health Expenditures

Required:

- SJL, Chapter 2 (pp. 19 – 36), The Demand for Health and the Demand for Health Care.
- Cutler D. M., Rosen A. B., Vijan S. “The Value of Medical Spending in the United States, 1960–2000,” *NEJM* 355 (2006), pp. 920-927.
- Catlin A, et al., “National Health Spending in 2006: A Year of Change for Prescription Drugs,” *Health Affairs* 27:14-29; 2008.
- *Trends in Health Care Costs and Spending*, Kaiser Family Foundation, September 2007.
- Emanuel, E. J., & Fuchs, V. R. (2008). “The Perfect Storm of Overutilization.” *JAMA*, 299(23), 2789-2791.
- Mongan, J. J., Ferris, T. G., & Lee, T. H. (2008). “Options for Slowing the Growth of Health Care Costs.” *NEJM*, 358, 1509 – 1514.

Optional:

- Dafny, Leemore. “How do hospitals respond to price changes?” *American Economic Review*: December 2005.
- *Health Care Costs: A Primer*, Kaiser Family Foundation, August 2007.

Session 3: September 17, 2008

- Insurance Concepts
- Evolution of Healthcare Insurance in the US
- Policy Brief Assignments

Required:

- SJL, Chapter 3 (pp. 41- 63), The Nature of Health Insurance Markets.
- Gladwell, Malcom. “The Moral-Hazard Myth: The bad idea behind our failed health-care system.” *The New Yorker*. August 22, 2005.

Optional:

- Helms, Robert B. “Tax Reform and Health Insurance.” American Enterprise Institute for Public Policy Research. January-February 2005.

Session 4: September 24, 2008

- Micro-economics as applied to healthcare

Required:

- **Akerlof, GA. The Market for ‘Lemons’: Qualitative Uncertainty and the Market Mechanism. *Quarterly Journal of Economics* 82 (1970): 488 – 500.
- Nichols et al. “Are Market Forces Strong Enough to Deliver Efficient Health Care? Confidence is Waning” *Health Affairs*. 23(2). March/April 2004.
- **Pauly, Mark V. “Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection.” *The Quarterly Journal of Economics* (Feb., 1974): 44-62.

Optional:

- Part 2, Chapter 3 – 5 (pages 55 – 124) in: *Economics of the Public Sector* (3rd edition; New York: Norton, 2000);
- **Stiglitz J.Rothschild, Michael and Stiglitz, Joseph. “Equilibrium in Competitive Insurance Markets: An Essay on Economics of Imperfect Information.” *The Quarterly Journal of Economics* (Nov., 1976): 629-649.

No Class: October 1, 2008**Sessions 5: October 8, 2008**

- Social justice, Welfare Economics and Social Insurance
- Policy Briefs – first presentations (up to 3)

Required:

- Dionne, E.J. “Why Social Insurance?” Social Security Brief, No. 6. National Academy of Social Insurance. January 1999.
- **Arrow, KJ. “Uncertainty and the Welfare Economics of Medical Care” *American Economic Review*, 1963.
- **Wennberg, JE and Gittleman, A. “Small Area Variations in Health Care Delivery.” *Science* 182 (1973): 1102 – 1108.
- Mirvis, D. M., & Bloom, D. E. (2008). “Population Health and Economic Development in the United States”. *JAMA*, 300(1), 93-95.
- Read posted policy briefs on classesv2 server

Optional:

- Anderson, G., et. al. “Health Care Spending and Use of Information Technology in OECD Countries.” *Health Affairs* 25: 2006

Session 6: October 15, 2008

- Pharmaceuticals and PBMs
- Policy Brief Presentations (up to 3)
- Midterm Participation Grade

Due Dates:

Prospectus for Final Paper due at the beginning of class.

Required:

- SJL, Chapter 11 (pp. 219 – 236), *The Economics of Prescription Drugs*.
- Atlas R. The Role of PBMs in Implementing the Medicare Prescription Drug Benefit. *Health Affairs* W4: 2004.
- Goldman D, Joyce GF, Lawless G, et al. “Benefit Design and Specialty Drug Use.” *Health Affairs* 25; 1319-1331, 2006.
- Read posted policy briefs on classesv2 server

Optional:

- Scherer, FM “The Pharmaceutical Industry.” *Handbook of Health Economics* Vol 1B, Culyer, AJ and Newhouse, JP, eds (Amsterdam: Elsevier, 2000), Chap. 25.
- Acemoglu, D., et. al. “Did Medicare Induce Pharmaceutical Innovation?” AEA Papers and Proceedings: 2006.
- Choudhry, N. K., Kesselheim, A. S. (2008). “The International Pharmaceutical Market as a Source of Low-Cost Prescription Drugs for U.S. Patients”. *Annals of Internal Medicine*, 148:614-619.

Session 7: October 22, 2008

- Medicare financing
- Policy Brief Assignments and Presentations (up to 3)

Required:

- SJL, Chapter 5 (pp. 89 – 98), *Social Insurance in the United States: Medicare and Medicaid*.
- *Financing Medicare: An Issue Brief*, Kaiser Family Foundation, January 2008.
- Hayes KJ, Pettengill J, and Stensland J. “Getting The Price Right: Medicare Payment Rates For Cardiovascular Services.” *Health Affairs* 26:124-136, 2007.
- Rosenthal, M. “Doughnut-Hole Economics.” *Health Affairs* 23: 2004
- Rosenthal, M. B. “Nonpayment for Performance? Medicare’s New Reimbursement Rule.” *NEJM* 357 (October 18, 2007), pp. 1573 – 1575.
- Read posted policy briefs on classesv2 server

Optional:

- 2008 Medicare Trustees Report

Session 8: October 29, 2008

- Medicare
- Policy Brief Presentations (up to 3)
- **Prospectus for Final Paper will be returned.**

Required:

- Florian Heiss, Daniel McFadden, and Joachim Winter “Who Failed To Enroll In Medicare Part D, And Why? Early Results” *Health Affairs*, September/October 2006; 25(5): w344-w354.
- Neuman, Patricia, et al. “How Much ‘Skin In The Game’ Do Medicare Beneficiaries Have? The Increasing Financial Burden of Health Care Spending, 1997-2003,” *Health Affairs*
- Fowler FJ Jr, Gallagher PM, et al. “Relationship between regional per capita Medicare expenditures and patient perceptions of quality of care.” *JAMA*. 2008; 299(20):2406-2412.
- Read posted policy briefs on classesv2 server

Optional:

- Marron, D., Congressional Budget Office (CBO), Testimony on Medicare's Physician Payment Rates and the Sustainable Growth Rate , July 25, 2006.

- Mays GP, Claxton G, White J. “Managed Care Rebound? Recent Changes in Health Plans’ Cost Containment Strategies.” *Health Affairs* Web Exclusive, August 11, 2004.

Session 9: November 5, 2008

- Medicaid and SCHIP
- Policy Brief Presentations (up to 3)

Required:

- SJL, Chapter 5 (pp. 98 - 105), *Social Insurance in the United States: Medicare and Medicaid*.
- *SCHIP Reauthorization: Key Questions in the Debate*, Kaiser Family Foundation, August 2007.
- Weil, A. “There’s Something About Medicaid.” *Health Affairs*, January/February 2003; 22(1): 13-30.
- *State Fiscal Conditions and Medicaid*, Kaiser Family Foundation, November 2007.
- *State Children’s Health Insurance Program (SCHIP): Reauthorization History*, Kaiser Family Foundation, January 2008.
- Read posted policy briefs on classesv2 server

Optional:

- Genevieve Kenney and Justin Yee. “SCHIP At A Crossroads: Experiences To Date And Challenges Ahead” *Health Affairs*, March/April 2007; 26(2): 356-369.
- Aizer, A., Currie, J and Moretti, E. “Does Managed Care Hurt Health? Evidence from Medicaid Mothers,” *The Review of Economics and Statistics*, August 2007, 89(3): 385-399.

Session 10: November 12, 2008

- Healthcare reform
- Employment Based Health Insurance
- Policy Brief completion (up to 3)

Required:

- Haislmaier E and Owcharneko N. “The Massachusetts Approach: A New Way to Restructure State Insurance Markets and Public Programs.” *Health Affairs*: 25:1580-1590, 2006.
- Glied, Sherry, et al. “Consider It Done? The Likely Efficacy of Mandates for Health Insurance,” *Health Affairs* 26:1612-1621, 2007.
- “Trends in Employer-Sponsored Health Insurance.” *Health Affairs*, 25.6.1474, 2006.
- Enthoven AC and Fuchs VR. “Employment-Based Health Insurance: Past, Present, and Future.” *Health Affairs* 25:1538-1547, 2006.
- Gabel JR, Lo Sasso AT, and Rice T. “Consumer-Driven Health Plans: Are They More Than Talk Now?” *Health Affairs* Web Exclusive, November 20, 2002
- Casalino, L. P., & Shortell, S. M. “Health Care Reform Requires Accountable Care Systems.” *JAMA*. 2008; 300(1), 95-97.
- Read posted policy briefs on classesv2 server

Optional:

- Isaacs, & and Schroeder. “California Dreamin’ — State Health Care Reform and the Prospect for National Change.” *NEJM*. 2008; 358(15), 1537 – 1540.
- *2008 Presidential Candidate Health Care Proposals: Side-by-Side Summary*, Kaiser Family Foundation, 2008.
- Oberlander J, “Presidential Politics and the Resurgence of Health Care Reform,” *NEJM* 357 (Nov. 22, 2007), pp. 2101-2104.

- Oberlander J, “Learning from Failure in Health Care Reform,” *NEJM* 357 (Oct. 25, 2007), pp. 1677-1679.
- Iglehart JK, “Changing Health Insurance Trends” *NEJM* 2002;347(12):956-962.

Session 11: November 19, 2008

- **Note: Quiz will be administered this week!**
- Catch-up session (If we are fully caught up, we will pick a topic from the following options: Cost-effectiveness Analysis in healthcare; Managed Care)

Thanksgiving Break: No Class on November 26, 2008

Session 12: December 3, 2008

- Student Presentations (Up to 7 students)

Session 13: December 10, 2008 (Note: during reading week)

- Student Presentations (Up to 7 students)
- Pizza will be served

December 12, 2008: Final Papers Due via email to Professor Forman (howard.forman@yale.edu). If you want a “return receipt” please email this by 9 pm.