THE ECONOMICS OF HEALTH MANAGEMENT AND POLICY I

HMP 660
Fall 2012

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SPH II, M3202
Tuesday 10-11, Wed 3-4

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Monday 2:00-3:00, Thursday 3:00-4:00

Course Materials:
Readings: There will be two textbooks used in the fall and winter semesters. In addition, there will be a handful of articles assigned in the winter semester.

*Intermediate Microeconomics and Its Application.* 11th Ed. by Nicholson and Snyder
*The Economics of Health and Health Care.* 6th Ed. By Folland, Goodman and Stano

Course Description: HMP 660 is the first half of a two-semester sequence of courses in health economics covering the principles of microeconomic theory and the fundamental concepts of the field of health economics. The focus is on individual behavior (demand), firm behavior (supply), and how these forces interact to yield market outcomes (prices and quantities) in health and health care. No previous background in economics is assumed.

The purpose of the course is not to train you to be health care economists, rather it is to give you experience analyzing health management and health policy issues using economic tools. The basic framework of economics will be used to analyze the behavior of consumers, insurers, physicians, and hospitals. The tools of economics will be applied to both managerial issues such as pricing decisions and policy issues such as the medically uninsured.

This first semester covers the basics of consumer and producer behavior along with applications to health and health insurance markets. The second semester covers the interpretation of basic statistical models often used in health economics, specific health care markets (hospitals, long-term care, health behaviors, global health, etc.), market imperfections and market failures, and cost-effectiveness analysis. By the end of this two-semester course, students should be able to assess the potential impact of hypothetical changes in the health care system on costs and access as well as on providers and consumers.
There is a full set of materials available on CTools, including the class overheads and detailed sets of notes for each class meeting. Only registered students will be able to access the site. You will be able to reproduce all of the overheads shown in class as well as materials used in discussion sections. We will also send messages to the class on this site and post example exams and answer keys, as well as optional readings (e.g., newspaper articles) that may be of interest. Finally, the class will be following two excellent health economics/health policy blogs: The Incidental Economist by Austin Frakt and others (theincidentalconomist.com), and Economix: Explaining the Science of Everyday Life by Uwe Reinhardt (economix.blogs.nytimes.com/tag/uwe-e-reinhardt/). As class time permits, students will present and comment on recent postings. Postings can also be discussed on CTools.

Course Objectives/
Competencies:

The primary learning objectives of the course are to familiarize students with the approach and terminology of microeconomic analysis and its application to health and health care. The major exit competency is in economic analysis, with minor competencies in the use of data, statistical analysis, policy analysis, decision-making, and collaborate/teams.

Course Requirements,
Assignments and Grading:

--Problem Sets: There will be problem sets to provide practice in solving the types of problems that will be on the exams and applying the material covered in class in new ways. *You are encouraged to collaborate in discussing approaches and answers to the problems in small groups. However each student should turn in a separate, individually prepared, set of answers.* The problem sets will typically consist of three to five questions. Grades will be 3 (all problems correct), 2 (all problems attempted and answers mostly correct), 1 (incomplete or contain substantial errors) or 0 (not turned in). Your lowest score will be dropped.

--Discussion Sections: Sean will hold weekly discussion sections focusing on problem solving, lecture review, and answering questions. No new theoretical or conceptual material will be covered in these sections. These sections are designed to complement the presentation of material in the lectures, with the focus on discussing problems and developing problem solving skills. Attendance is strongly encouraged since only limited amounts of lecture time can be devoted to problem solving and the bulk of the problem sets and the exams involve the ability to apply course concepts to new problems. Discussion sections will *not* be held September 6/7 (first week), October 4/5 (post-mid-term), November 1/2 (post-mid-term), and November 22/23 (Thanksgiving).

--Exams: There will be 3 exams covering the basic microeconomic concepts and tools learned during the semester. Each exam covers a particular part of the course and they will not be cumulative except in the sense that material from earlier in the course is still necessary to understand the later material.

--Case Memo: Following our in class case, you will receive an assignment for a two page (double spaced) memo based on the case.
Grading: The course grade will be calculated as follows:

- Problem Sets 10%
- Mid-term Exam 1 25%
- Case Memo 15%
- Mid-term Exam 2 25%
- Final Exam 25%

Academic Conduct: The faculty of the School of Public Health believes that the conduct of a student registered or taking courses in the School should be consistent with that of a professional person. Courtesy, honesty, and respect should be shown by students toward faculty members, guest lecturers, administrative support staff, and fellow students. Similarly, students should expect faculty to treat them fairly, showing respect for their ideas and opinions and striving to help them achieve maximum benefits from their experience in the School.

Student academic misconduct refers to behavior that may include plagiarism, cheating, fabrication, falsification of records or official documents, intentional misuse of equipment or materials (including library materials), and aiding and abetting the perpetration of such acts. The preparation of reports, papers, and examinations, assigned on an individual basis, must represent each student’s own effort. Reference sources should be indicated clearly. The use of assistance from other students or aids of any kind during a written examination, except when the use of aids such as electronic devices, books or notes has been approved by an instructor, is a violation of the standard of academic conduct.

Classroom Expectations/Etiquette: Most classes will follow a lecture format. However, I welcome (and encourage!) questions and comments. If they begin to take things too far afield, I may occasionally postpone some issues for after class or discussion via CTools, but please do not hesitate to bring things up in class.

**HMP 660 COURSE OUTLINE AND READINGS: Fall Semester**

I. **INTRODUCTION**

9/4
- Nicholson, Chapter 1
- Folland et al. Chapter 1
- Play “Budget Hero”

II. **CONSUMER CHOICE AND DEMAND**

9/6
- A. Utility and Choice
  - Nicholson, Chapter 2

9/11
- Be sure you’ve completed the Math Self-test; do not turn it in

9/13
- B. Individual Demand Curves

9/18
- Nicholson, Chapter 3, pp. 87-113
9/20  Problem Set #1 due

9/20  C. Market Demand and Elasticity
     Nicholson, Chapter 3, pp. 113-131

9/27  NO CLASS, but Problem Set #2 due

9/25  D. Why is Health Economics Special?
10/2  Demand for Health Care
     Folland et al., Chapter 9
     Folland et al., Chapter 10, pp. 197-201

10/4  Mid-term Exam 1, Covering Consumer Choice and Demand topics A through C (II.A-II.C)

III. HEALTH INSURANCE

10/9  A. Uncertainty
     Nicholson, Chapter 4

10/11  B. Demand for Health Insurance
10/18  Folland et al., Chapter 8

10/16  FALL BREAK

10/23  C. Health Insurance Markets
10/25  Folland et al., Chapter 10, pp. 190-196
10/30  Folland et al., Chapter 11, pp. 204-225
     Folland et al., Chapter 12
     Folland et al., Chapter 23

10/26  Problem Set #3 due (3:00 p.m.)

11/1  Mid-term Exam 2, Covering Demand for Health Care and Health Insurance (II.D and III.A-III.C)

11/6  In-class Case: Consumer-Driven Health Plans

IV. PRODUCTION, COSTS, AND SUPPLY

11/8  A. Production
11/13  Nicholson, Chapter 6

11/13  Case Memo due
11/15  B. Production of Health  
Folland et al., Chapter 5

11/20  C. Costs  
Nicholson, Chapter 7

11/27

11/29  Problem Set #4 due

11/29  D. Production, Costs, and Technology of Health Care  
Folland et al., Chapter 6  
Folland et al., Chapter 11, pp. 225-227

12/4  E. Profit Maximization and Supply  
Nicholson, Chapter 8

12/6  Problem Set #5 due

V. MARKET EQUILIBRIA

12/6  A. Perfect Competition  
Nicholson, Chapter 9

12/11  Catch up or review

12/19  Final Exam: 10:30-12:30, Covering Production, Costs, and Supply, and Market Behaviors (IV.A-IV.E and V.A.-V.B.)