ECON 671 – Fall 2014
Economics of Health Care

Lecture: Tuesdays, 6:30 – 9:15pm
1400 16th Street, NW, Suite 140.

Professor: Andrew Nigrinis, Ph.D.
anigrinis@gmail.com (email, preferred)

ELMS Site: https://elms.umd.edu/

Office Hours: By appointment; 30 minutes before and after lectures, TBD

Course Description
This course will introduce students to the field of health economics, using microeconomic theory to develop intuition about health care markets and health. It will also offer students the opportunity to develop skills in using data to answer empirical questions that arise in the field. There will be econometrics in the data assignment and empirical essay. Additionally, econometric knowledge is necessary for the presentations.

Prerequisites
ECON 641 and ECON 645 (students can take ECON 645 concurrently with ECON 671)

Texts – Required and Supplemental
Required:
Health Economics, Frank A. Sloan and Chee-Ruey Hseih (SH).

Recommended:
Student Solutions Manual to Accompany Health Economics., Frank A. Sloan and Chee-Ruey Hseih.

Structure of the Course
The course is taught in a seminar format meeting once per week from 6:30-9:15pm. We will teach in two sections per lecture with a 15 minute break in the middle. Each topic will begin with an explanation of fundamental microeconomic principles and will be followed by a discussion of economic models and empirical evidence related to specific issues of market design and health issues. This will often involve reviewing an academic work. Student participation and discussion in class are essential.

Grades are determined as follows:

- 10% class participation and online discussion participation
- 10% problem set
- 10% Data Assignment
- 10% in-class midterm
- 10% Presentation
• 25% Empirical Essay
• 25% Final

Problem Set:
Homework is due at the beginning of class on September 30th 2014.

Presentation:
Students will either individually, or with a partner, choose an empirical health economics paper to present for 20-25 minutes. There will be an additional 5-10 minutes for student and instructor questions on the presentation. The purpose of this is to think deeply about the research strategy and methodology employed by practitioners in the field. The presentation must review the research question, data sources employed, methodological tools used to analyze the data and conclusions and limitations of the work. The presentation cannot be on the same topic as the data assignment and empirical essay. Presentations should ideally be done a little after the topic is covered in the class. Ideally, papers to present will be picked from the optional readings or interesting papers listed here. If a student wants to present a different paper that is acceptable but must be approved by me.

Data Assignment:
To assemble data for the purpose of addressing econometrically some question about a health economics issue or a health policy issue, and to use the data to generate at least one original table and one original graph. The conclusion of an econometric specification must be shown on one of these. The table and graph should be accompanied by a brief statement of what you believe the data show about the issue/question you have chosen. Additionally, a discussion of the model and why it was chosen with a critical analysis of the limitation of your approach should be part of the discussion. The brief should be 3-5 pages and is due on October 14th 2014.

Empirical Essay:
A 10-15 page research paper will be due on the last day of class, Tuesday November 18th 2014. It can be a continuation of the data assignment. However, it is not a requirement to do both on the same topic. The purpose of this essay is for you, the student, to develop a question, place the question in context of policy or previous literature, use some theory to justify a hypothesis and then to econometrically test to validate or invalidate the hypothesis.

Mid-Term Exam:
The midterm will be on the first half of class of October 7th. There will be a review session (of half a class the week before). It will be a closed book exam.

Final Exam:
The Final will be on Tuesday November 18th. There will be a review session (of half a class the week before). It will be a closed book exam.

Course Outline:
Students are expected to have done the readings prior to class so they can participate in the class discussion (except the first class).
2 September 2014: Introduction and International Overview

- Secular Trends in Health Care
- **Reading:** Chapter 1 and 16
  - Almost everything in modern economics starts with Ken Arrow

Health and Health Behavior

- This is basically the Grossman model which is the core model in health econ
- **Reading:** Chapter 2

Demand for Health Care

- This is more a review of micro as it applies to health Care
- **Reading:** Chapter 3

Demand for Private Insurance

- Insurance and the problems with insurance
- **Readings:** Chapter 4

Market for Physician Services

- Labor market and firm structure of Physicians
- **Readings:** Chapter 5

Hospitals

- IO of hospitals and non-price competition
- **Reading:** Chapter 6

### Pharmaceuticals
- Pharmaceutical industry and R&D
- **Reading**: Chapter 9
- **Reading**: TBA

### Supply of Private Health Insurance
- **Reading**: Chapter 10
- **Reading**: TBA (Job Lock paper)

Other topics will be added if time permits. This is being left open for discussion with the class.

### Software
Our program’s curriculum is designed to use Stata as the statistical software. Other leading statistical software packages include SAS and R. We have decided to focus on one package to enhance the continuity across courses in our program. A more superficial familiarity with multiple packages might be just as good as a deep understanding of a single package. But working with multiple packages would also result in less time to learn econometrics.

Students in our program should purchase Stata. Stata offers different "flavors" and different lengths of license. Price varies according to these two factors. A description of the flavors is given here: http://www.stata.com/products/which-stata-is-right-for-me/

Stata offers student discounts via the "Gradplan":

http://www.stata.com/order/new/edu/gradplans/

The least expensive appropriate option is $69 for a 6-month license for “Stata IC”. A one-year license is $98, and a perpetual license (which never expires) is $198. We do not recommend “Small Stata”. Small Stata is too limited for the coursework our program.

Under the Gradplan, you may install Stata on up to three different computers. You may also eventually upgrade your version of Stata and your license, at a discount, if you wish.

### Academic Integrity
The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate and graduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see [www.studenthonorcouncil.umd.edu](http://www.studenthonorcouncil.umd.edu)

### Student Conduct
Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.
**Medical Excuses:** If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor’s – to get yourself caught up in the course.

If you need to miss an exam or other course deadline because of illness, injury, or some other emergency: Follow doctor’s orders and get documentation. Get in touch with the instructor as soon as you’re able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor’s note says you’re incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an “Incomplete”. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

**School Closings and Delays:** Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669).

**Students with Disabilities:** The University of Maryland does not discriminate regardless of differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, and national origin. Reasonable accommodations will be made to students with documented disabilities. I will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form (found [here](#)).

**Academic Progress:** The graduate school requires that students maintain a minimum GPA of 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program’s director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student’s GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree.

**Building Access:** The door to the building at 1400 16th Street is unlocked on weekdays until 7:00 p.m. Students who arrive after 7:00 will find the door locked. The building’s security guard is stationed at a desk just inside the door until 11:00 p.m. and will let you in. If you use the black telephone next to the door you will be connected to the phone on the security guard’s desk. You can also call that phone directly from your cell phone by dialing (202) 328-5158. If the security guard happens to be away from his or her desk when you arrive, you can also enter the building through the parking garage at any time until 9:30 p.m. You can enter the parking garage via the ramp next to our building’s 1616 P Street entrance and take the stairs or elevator up to the lobby from there.

**Work Load:** Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time. The courses in our program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course. The compressed schedule makes it possible to complete
our degree in just 15 months if you take 2 courses each term. But the compressed schedule also implies
an accelerated pace. If we’re going to cover all the same material as a traditional semester-long 3-credit
masters-level course, we need to cover the material quickly.

**Important Dates:**

September 30th 2014 – Assignment 1 due at the start of class

September 30th 2014 second half of class – Assignment 1 review and mid-term review

October 7th 2014 first half of class – Mid Term

October 14th 2014 – Data Assignment is due

Nov 18th 2014 – Essay due

Nov 18th 2014 – Final Exam

**Optional Readings and Interesting Works: (I tried to cast a wide net. Do not feel restricted to just these papers)**

Acemoglu, D. and J. Angrist. (2001). —Consequences of employment protection? The case of the

Alderman, Harold, Hans Hoogeveen, and Ariacristina Rossi, 2006, —Reducing child malnutrition in

Appleton, Simon. 1998. —The impact of public services on health care and illness: A treatment effects

973.

Arora, Suchit, 2001, —Health, human productivity, and long-term economic growth, *Journal of

Avery, R., D. Kenkel, D.R. Lillard, and A. Mathios, Private Profits and Public Health: Does Advertising of


Baird, Sarah, Jed Friedman, and Norbert Schady, 2007 (September), —Infant mortality over the business
cycle in the developing world, Washington, DC: World Bank *policy research working paper 4346*. 


