

**University of Maryland - Department of Economics**

**Masters in Applied Economics**

**Economics 671: Healthcare Economics**

**Summer 2016**

**Thursdays: 6:45 PM - 9:30 PM<sup>1</sup>**

**Professor:** Patrick Richard, PhD; M.A.

**Phone:** 240-475-4386 (Cell)

**E-mail:** [pricharl@umd.edu](mailto:pricharl@umd.edu)

**Office Hours:** Thursdays: 5:30 pm to 6:45 PM or by appointment

**Grader/TA:** Burak Turkgulu

Email: [DCmastersTA@econ.umd.edu](mailto:DCmastersTA@econ.umd.edu)

**TA will have weekly office hours from 3-7 p.m.**

**The TA office hours will not be on the same day every week.**

**The schedule will be posted on ELMS.**

**Weekly reminders will also be sent about TA office hours every Sunday.**

## **Course Description**

This course applies economic principles and concepts to health policy issues including the demand and production of health services, health care costs, and healthcare markets. Specific topics include the structure, conduct and performance of private and public health insurance markets, physicians, hospitals, pharmaceutical and long-term care industries. The course also covers briefly economic evaluation methods such as cost-benefit analysis, cost-effectiveness analysis, and cost-utility analysis. Issues associated with the Affordable Care Act (ACA) and other healthcare policy regulations are emphasized throughout the course. At the end of the course, students will be able to:

- Understand the factors that influence the demand and supply of health care services in the United States
- Able to use economic tools to assess health intervention programs in the United States
- Understand the role of economic incentives, competition, regulation, and government on the functioning of the health care markets

**Prerequisites:** Microeconomic Analysis (ECON 641) & Empirical Analysis II: Introduction to Economic Models (ECON 644)

**Co-requisites:** - Empirical Analysis III: Econometric Modeling and Forecasting (ECON 645)

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<sup>1</sup> There will be a 15-minute break at some point between 7:45 and 8:15

## Course Learning Objectives:

- Ability to understand, evaluate and analyze economic data
- Ability to understand and interpret statistical evidence from economic data
- Ability to apply empirical evidence to assessing economic arguments
- Ability to apply microeconomic theories to policy discussions
- Ability to communicate economic ideas to a broader audience
- Ability to evaluate the effectiveness of policy programs using sound economic techniques

**Required Book:** Health Economics: Theories, Insights and Industry Studies (2013), 6th Edition, 2013. Rexford Santerre and Stephen Neun (S&N)

**Recommended Book:** Health Economics and Financing, 5th Edition. Getzen, Thomas E.

## Methods of Evaluation

## % of Final Grade

Weekly online discussions	5
Participation in in-class discussions and assignments (quizzes, short essays and problem sets)	10
Problem sets/Assignments	30
Mid-term Exam	20
Presentation of an original empirical work	15
Final	20

Session Outline	Date
<p><b>Watch the following video</b></p> <p><a href="http://hctransparencysummitportal.com/view_media.php?mid=14&amp;ACCESSREF=588d4c89d1df173ab2b6c219befd2d51">http://hctransparencysummitportal.com/view_media.php?mid=14&amp;ACCESSREF=588d4c89d1df173ab2b6c219befd2d51</a></p> <p>On “Costs, Price Transparency and the US Healthcare Non-system” by Uwe Reinhardt, PhD (2013) for on-line discussions.</p> <p><b>Associated reading:</b> Health Care Price Transparency and Economic Theory by Uwe Reinhardt, PhD, JAMA, 2014.</p>	
<p><b>Session 1 – Introduction to Supply &amp; Demand in Healthcare Markets</b></p> <p><b>Required Reading: S&amp;N Ch.8</b>---Start on page 223; skip the section on “A Note on Long-Run Entry and Exit in a Perfectly Competitive Market (p231). Start again at “Using Supply and Demand to Explain Rising Healthcare Costs (p232) — skip from “Barriers to Entry” p235-241; start again on p 241 (Oligopoly) to p246. Read the section on “Measuring Market Concentration (p248); skip the section on Identifying Market Power (250) ---read the “Summary”.</p>	6/2/2016

Session Outline	Date
<p><b>Recommended Reading:</b> THE INDUSTRIAL ORGANIZATION OF HEALTH CARE MARKETS by Martin Gaynor, Kate Ho, and Robert Town. Working Paper 19800 ----Read sections 1-3 and section 9</p> <p style="text-align: center;"><b>Guidelines for class assignments are posted on ELMS</b></p>	
<p><b>Session 2- Economic Evaluation Methods</b></p> <p><b>Required Reading:</b> S&amp;N Ch.3</p> <p><b>Recommended Reading:</b> Cawley, J., Meyerhoefer, C., 2012. The medical care costs of obesity: an instrumental variables approach. <i>Journal of Health Economics</i> 31 (1), 219–230.</p>	<b>6/9/2016</b>
<p><b>Session 3- Healthcare Costs Modeling</b></p> <p><b>Required reading for in-class discussions:</b> John Mullahy. Econometric Modeling of Health Care Costs and Expenditures: A Survey of Analytical Issues and Related Policy Considerations. <i>Med Care</i> 2009; 47: S104-108</p> <p>Group 1: Summary Presentation of the methods used in the paper by Cawley &amp; Meyerhoefer (5% of the grade; 6-7 slides)</p> <p>Group 2: Summary Presentation of the econometric issues faced in modeling healthcare costs (the paper by Mullahy) (5% of the grade; 6-7 slides)</p>	<b>6/16/2016</b>
<p><b>Session 4- The Private Health Insurance Industry</b></p> <p><b>Required reading:</b> S&amp;N Ch. 11: skip the sections on “ The Dominant Insurer Pricing Model” (p327); “Guaranteed Renewability in the Individual Health Insurance Market” (p341); HIPPA Act of 1996 (P353-354); start again on p354: “Profitability in the Private Health Insurance”</p> <p><b>Recommended Reading:</b></p> <p>Molly Frean, Jonathan Gruber, Benjamin D. Sommers. Premium Subsidies, the Mandate, and Medicaid Expansion: Coverage Effects of the Affordable Care Act. NBER Working Paper No. 22213. Issued in April 2016</p> <p><b>Due Date for Assignment 1: 1 page document describing the selected class project ( 5% of the final grade)</b></p>	<b>6/23/2016</b>
<p><b>Session 5- Government as Health Insurer –Public Health Insurance</b></p> <p><b>Required reading:</b> S&amp;N Ch. 10:</p> <p><b>Required reading for in-class discussions:</b> Patricia Neuman, Juliette Cubanski and Anthony Damico. Medicare Per Capita Spending By Age And Service: New Data Highlights Oldest Beneficiaries. <i>Health Affairs</i>, no. (2016)</p>	<b>6/30/2016</b>

Session Outline	Date
<p><b>Recommended: 1)</b> Medicaid Review Paper 2014; 2) Medicare at 50 – Origins and Evolution – The Commonwealth Fund 2015</p> <p><b>Due Date for Assignment 2:</b> A 1-1 ½ page document reviewing the literature on the selected topic for class assignment (10% of the final grade).</p>	
<p><b>Session 6 - The Physician Services Industry</b></p> <p><b>Required reading:</b> S&amp;N Ch.12—skip the McGuire Quantity-Setting Model on P376—383; start again with Medical Negligence and Malpractice Insurance (p383) up to pp391.</p> <p><b>Required reading for in-class discussions:</b> Geographic Variation in Medicare Spending- Health Affairs Policy Brief. March 2014</p> <p style="text-align: center;"><b>MID-TERM EXAMINATION POSTED ON ELMS</b></p>	<b>7/7/2016</b>
<p><b>Session 7 - Hospital Services Industries</b></p> <p><b>Required reading:</b> S&amp;N Ch. 13 ; skip the Type of Product section on p402 to 406; skip the section on “Managed Care Buyers and Hospital Behavior” on p 416</p> <p><b>Required Short Policy Readings for in-class discussions:</b></p> <p>Hospital Consolidation Benefits Patients, Report Says; Robert Weisman; The Boston Globe</p> <p>Martin Gaynor &amp; Robert Town. The Impact of Hospital Consolidation (RWJF 2014).</p>	<b>7/14/2016</b>
<p><b>Session 8 - The Long-term Care Industries</b></p> <p><b>Required reading:</b> S&amp;N Chapter 15</p> <p><b>Due Date for Assignment 3:</b> 2-3 page Analytic Plan for the selected project ( 15 % of the final grade)</p>	<b>7/21/2016</b>
<p><b>Session 9- Pharmaceutical Industry</b></p> <p><b>Required Reading :</b> S&amp;N Chapter 14</p> <p><b>Required Policy Reading for in-class discussions:</b> Ernst R. Berndt, Deanna Nass, Michael Kleinrock and Murray Aitken. Decline In Economic Returns From New Drugs Raises Questions About Sustaining Innovations. <i>Health Affairs</i>, 34, no.2 (2015):245-252</p>	<b>7/28/2016</b>
<p><b>Session 10- Using Economic Theory to Understand Health Care Markets in Developing Countries</b></p>	<b>8/4/2016</b>

Session Outline	Date
<p><b>Policy Brief:</b> Explaining High Health Care Spending in the United States: An International Comparison of Supply, Utilization, Prices, and Quality by David A. Squires- The Commonwealth Fund (2012)</p> <p><b>In-class discussions/debate will be based on a case study that will be distributed in class beforehand</b></p>	
<p><b>Session 11- Using Economic Theory to Understand Health Care Markets in the United States &amp; other Developed Countries</b></p> <p><b>Recommended Reading:</b> THE INDUSTRIAL ORGANIZATION OF HEALTH CARE MARKETS by Martin Gaynor, Kate Ho, and Robert Town. Working Paper 19800 ----Read sections 1-3 and section 9</p> <p><b>Policy Brief:</b> Explaining High Health Care Spending in the United States: An International Comparison of Supply, Utilization, Prices, and Quality by David A. Squires- The Commonwealth Fund (2012)</p>	8/11/2016
<p><b>Session 12 – PRESENTATIONS</b></p> <p><b>Final exam is posted - Due Date : 8/20/2016 at Midnight</b></p>	8/18/2016

*University of Maryland and Department of Economics Policies*

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course’s ELMS/Canvas website. You can access the site via [www.elms.umd.edu](http://www.elms.umd.edu). You will need to use your University of Maryland “directory ID” and password.

Email: Email is the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via <http://www.testudo.umd.edu/apps/saddr/> AND for paying attention to messages I send to the class via ELMS. Failure to check email, errors in forwarding email, and returned email due to “mailbox full” or “user unknown” will not excuse a student from missing announcements or deadlines. I will do my best to respond to email within 36 hours.

Contact Hours: Three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses’ 12 weekly 3-hour meetings only satisfy 80% of the university’s contact requirement. The other 20% is usually satisfied by weekly mandatory and graded online contact. Instructors have some discretion in how they structure the online component of their course. In principle, the contact hours requirement could be satisfied by scheduling 3 additional 150-minute meetings per term, or 6 additional 75-minute meetings, or 10 additional 45-minute meetings. The weekly online discussions are a more flexible way to ensure that our program’s courses in DC provide the same level of student-instructor contact as the traditional 15-week, face-to-face, version of the same course when it is taught on campus in College Park.

**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 DC program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course (15 weeks). 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 with an average of 25% more work per week in a given course ( $15/12 = 1.25$ ). The normal full-time load in a master's program is 3 courses per semester, or 6 courses per year. Students who take 2 courses per quarter in our program complete 8 courses per year. So taking 2 courses per quarter in our program is equivalent to 133% of a full-time load ( $8/6 = 1.33$ ). Students who take 2 courses per term in our DC program should expect to do an average of 25-33% more work per week than a student in a full-time master's degree program.

**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). Since our program is an evening program in downtown Washington, DC, rather than a day program in College Park, we do not always cancel classes on the same days as the College Park campus. The program director will always announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue.

**Students with Disabilities:** The University of Maryland does not discriminate based on 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.

**Academic Progress:** The graduate school requires that students maintain a GPA of at least 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 p.m. or on weekends 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. You can also call the phone on the security guard's desk by dialing (202) 328-5158. If the security guard happens to be away from his or her desk when you arrive, you can pick up the black phone to the right of the door at 1400 16th Street. You will be connected to the company that handles security for our building. If you tell them you are with the University of Maryland, they should ask you for a password. The password is "Drawbridge". When you tell them the password, they will be able to unlock the door for you.