

Economics of Health Care

University of Maryland
Professor: Sebastian Galiani
Spring, 2025

Office Hours:

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Office hours:

Date: Mondays from 5 pm to 6 pm.

Location: 1105D Morrill Hall.

This course delves into the study of health service demand and supply. Individuals exhibit risk aversion and seek out health insurance, giving rise to challenges such as adverse selection and moral hazard. These complexities add depth and intrigue to our analysis. Moreover, individual behaviors frequently lead to negative health externalities, potentially warranting government interventions. Additionally, health providers do not always function within competitive landscapes, necessitating government regulations at times. The health sector remains highly dynamic, with firms constantly innovating. We explore the factors driving innovation in the sector and assess its optimality. Lastly, AI is impacting the health sector more than any other sector. We will explore the reality and promises of AI and examine its impact on healthcare.

Undergraduate course related policies:

<https://www.ugst.umd.edu/courserelatedpolicies.html>

Course Evaluation: The requirements for the course are conscientious reading and thinking, and hard work:

1. Problem sets: Accounts for 30 percent of the final grade. Deadline Schedule -PSs are released on Wednesdays and due on Fridays, any time: 14/02; 28/02; 14/03; 04/04; 18/04 and 02/05.
2. Project class presentation of AI applications in the Health System. Date to be determined in agreement with students. It accounts for 20% of the final grade.
3. Mid-Term exam: accounts for 25% of the final grade (26/03).
4. End-term exam: accounts for 25% of the final grade (12/05).

Grades

All assessment scores will be posted on the course ELMS page. If you would like to review any of your grades (including the exams), or have questions about how something was scored, please email me to schedule a time for us to meet and discuss.

Late work will not be accepted for course credit so please plan to have it submitted well before the scheduled deadline. I am happy to discuss any of your grades with you, and if I have made a mistake, I will immediately correct it. Any formal grade disputes must be submitted in writing and within one week of receiving the grade.

Final letter grades are assigned based on the percentage of total assessment points earned. To be fair to everyone I have to establish clear standards and apply them consistently, so please understand that being close to a cutoff is not the same as making the cut ($89.99 \neq 90.00$). It would be unethical to make exceptions for some and not others.

Final Grade Cutoffs									
+	97.00%	+	85.00%	+	70.00%	+	55.00%	+	
A	92.00%	B	80.00%	C	65.00%	D	53.00%	F	<50.0%
-	88.00%	-	75.00%	-	60.00%	-	50.00%	-	

Social Media in Class: Cell phones are not permitted during class sessions. Computers and notepads may be used exclusively for note-taking purposes and must not be used to access the internet. This policy will be strictly enforced, as experimental evidence consistently demonstrates that accessing social media during class negatively impacts learning.

Zoom Classes: In addition to any makeup classes, certain sessions are scheduled to be conducted via Zoom. These include the classes on March 3, March 5, and March 24.

Reading List:

Course textbook:

Health Economics by J. Bhattacharya, T. Hyde and P. Tu. Palgrave Macmillan (2014). **BHT**.

Slides are provided for all lectures.

1. Introduction to Health Economics.

BHT Chapter 1.

2. Long Terms Trends in Life Expectation.

Richard Easterlin (2001): Growth Triumphant: The Twenty-First Century in Historical Perspective, The University of Michigan Press.

Robert Fogel (2004): The Escape from Hunger and Premature Death, 1700-2100, Cambridge University Press.

3. Demand for Health Services.

BHT Chapter 2.

4. Health Behavior:

BHT Chapter 3.

5. Socioeconomic Disparities in Health.

BHT Chapter 4.

6. Demand for Insurance.

BHT Chapter 7.

7. Adverse Selection: Akerlof's Market for Lemons.

BHT Chapter 8.

8. Adverse Selection: The Rothschild-Stiglitz Model.

BHT Chapter 9.

9. Adverse Selection in Real Markets.

BHT Chapter 10.

10. Moral Hazard.

BHT Chapter 11.

Amy Finkelstein (2015): Moral Hazard in Health Insurance, Columbia University Press. (*)

Liran Einav, Amy Finkelstein and Ray Fisman (2023): Risky Business: Why Insurance Market Fail and What to do about it? Yale University Press. Video interview with Ray Fisman.

Video interview:

https://www.youtube.com/watch?v=cr1G8BupKn4&list=PLE3QeoHcHATAHuyB_S7Mvex_2bYsbLPFv

11. The Labor Market for Physicians.

BHT Chapter 5.

12. The Hospital Industry.

BHT Chapter 6.

13. Pharmaceuticals and the Economics of Innovation.

BHT Chapter 12.

Michael Kremer and Rachel Glennerster (2004): Strong Medicine: Creating incentives for pharmaceutical research on neglected diseases, Princeton University Press.

14. Technology and the Price of Health Care.

BHT Chapter 13.

15. Health Technology Assessment.

BHT Chapter 14.

16. The Health Policy Conundrum.

BHT Chapter 15.

17. The Beveridge Model: Nationalization of Health Care.

BHT Chapter 16.

18. The Bismarck Model: Social Health Insurance.

BHT Chapter 17.

19. The American Model.

BHT Chapter 18.

Liran Einav and Amy Finkelstein (2023): We've got you covered, Portfolio. Video interview with Amy Finkelstein.

Video Interview:

https://www.youtube.com/watch?v=SNznz2D5mHM&list=PLE3QeoHcHATAHuYB_S7Mvex_2bYsbLPFv&index=2

20. Population Aging and the Future of Health Policy.

BHT Chapter 19.

Victor Fuss and Karen Eggleston (2023): Who shall live? Health, economics and social choice, World Scientific Publishing Company.

21. The Economics of Health Externalities.

BHT Chapter 20.

22. Economic Epidemiology.

BHT Chapter 21.

Frank Snowden (2019): Epidemics and Society: From the Black Death to the Present, Yale University Press.

Adam Tooze (2021): Shutdown: How covid shook the world's economy, Penguin Random House.

Ryan Bourne (2021): Economics in one virus, CATO Institute.

23. Obesity

BHT Chapter 22.

24. Behavioral Health Economics

BHT Chapters 23 and 24.

25. AI and the Health Sector

Michael Wooldridge (2021): A Brief History of Artificial Intelligence, Flatiron Books.

Parag Mahajan (2022): Artificial Intelligence in Healthcare, MED.