

**HEALTH SUPPLY
ECONOMICS 737.01
SPRING 2011**

Time: Tuesday and Thursday 3:30-4:45
Room: Bryan 456
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Office hours: Tuesday and Thursday 2:00-3:00 and by appointment

Course Description:

We will be studying topics relating to health economics, with a focus on factors relating to the supply of health care. Specific topics will include international differences in health care expenditures; the labor market behavior of physicians; induced demand; malpractice; hospital ownership, regulation, competition, and reimbursement; ambulatory surgery centers; the markets for long-term care, mental health services, and pharmaceuticals; cost-effectiveness analysis; and health care reform.

Course Objectives:

By the end of the semester, you should have developed:

- 1) A general understanding of the state of the literature in each of these areas.
- 2) A sense of which topics you are interested in studying further.
- 2) An improved ability to read and evaluate journal articles.
- 3) An understanding of the methods used to answer health economics questions.
- 4) Improved presentation skills.
- 5) Improved writing skills.

Required Texts:

- 1) *Handbook of Health Economics, Volume 1*. Elsevier, 2000.
- 2) *Elgar's Companion to Health Economics*. Andrew Jones, editor. Edward Elgar Publishing, 2006.

The paperback version of *Elgar's Companion* is available on Amazon.com for \$65. A hard copy of *Handbook* is quite expensive, but the chapters can be downloaded for free through Science Direct.

Course Format:

We will cover 13 topics relating to health supply. For each topic, we will have one "lecture day" and one "paper day." On the lecture day, I will give a lecture on the topic based on readings from our two required texts. On most paper days, we will discuss two related academic articles using a simulated conference session format where each paper has a presenter and discussant. Each of you will present two times and discuss two times. I will both present and discuss the first paper of the semester to provide an example. The remaining paper days will be filled by open discussions.

Simulated Sessions:

You are expected to prepare power point presentations when you are either a presenter or discussant. Discussants will also be asked to prepare a written referee report. The presentations will be graded on both content and delivery; the referee reports will be graded on both content and writing quality. Further details will be given in class. The schedule for the sessions will be:

-Paper 1

- Presentation (20 minutes)
- Discussant (5 minutes)
- Questions and open discussion (10 minutes)

-Paper 2

- Presentation (20 minutes)
- Discussant (5 minutes)
- Questions and open discussion (10 minutes)

Everyone – not just the presenters and discussants – is expected to read the articles and participate in the open discussion.

Final Exam:

We will have a take-home final exam due on Monday, May 7 that covers the material from the lectures. The exam will consist of a mix of definitions, short answer questions, and math problems. You will be allowed to use your notes and reading materials, but will not be allowed to consult with each other.

Grading:

Final Exam	35%
Presentations	25%
Discussant Presentations	10%
Referee Reports	10%
Class Participation	20%

Academic Integrity Policy:

Students are expected to know and abide by the Honor Code in all matters pertaining to this course.

Faculty and Student Guidelines:

Please read the Bryan School's *Faculty and Student Guidelines*, available at http://www.uncg.edu/bae/faculty_student_guidelines.pdf. These guidelines establish expectations for the administration, faculty, staff, and students.

Course Outline:

Topic	Handbook Reading	Elgar Reading	Lecture	Papers
Determinants of Health Expenditures	Ch. 1 pp. 11-53	N/A	1/18	1/20
Supply and Demand of Physician Services	Ch. 9 463-503	Ch. 24 pp. 261-268	1/25	1/27
Induced Demand		Ch. 25 pp. 269-278	2/1	2/3
Malpractice	Ch. 26 pp. 1339-1404	N/A	2/8	2/10
Hospital Ownership	Ch. 21 pp. 1142-1174	N/A	2/15	2/17
Hospital Regulation	Ch. 28 pp. 1490-1535	Ch. 20 pp. 221-232	2/22	2/24
Competition and Reimbursement	Ch. 20 pp. 1093-1139		3/1	3/3
Ambulatory Surgery Centers*	N/A	N/A	3/15	3/17
Long-Term Care	Ch. 17 pp. 955-994	Ch. 28 pp. 296-305	3/22	3/24
Mental Health	Ch. 16 pp. 894-954	Ch. 27 pp. 286-294	3/29	3/31
Pharmaceuticals	Ch. 25 pp. 1297-1336	Ch. 11 pp. 114-125 Ch. 29 pp. 306-316	4/5	4/7
Cost-Effectiveness Analysis	Ch. 4 pp. 181-221	Ch. 44 pp. 469-478	4/12	4/14
Health Care Reform*	N/A	N/A	4/19	4/21

* Indicates in lieu of Handbook and Elgar readings other readings will be assigned on the class period prior to the lecture.

Course Introduction: 1/13
Spring Break: 3/8 and 3/10

List of Papers:

I. Determinants of Health Expenditures (1/20)

- 1) Getzen T., 2000. "Health care is an individual necessity and a national luxury: applying multilevel decision models to the analysis of health care expenditures." *Journal of Health Economics* 19: 259–270.
- 2) Acemoglu D., A. Finkelstein, and Notowidigdo M., 2009. "Income and Health Spending: Evidence from Oil Price Shocks." NBER Working Paper 14744.

II. Supply and Demand of Physician Services (1/27)

- 1) McGuire T. and M. Pauly, 1991. "Physician Response to Fee Changes with Multiple Payers," *Journal of Health Economics* 10(4): 386–410.
- 2) Melichar L., 2009. "The Effect of Reimbursement on Medical Decision Making: Do Physicians Alter Treatment in Response to a Managed Care Incentive?" *Journal of Health Economics* 28(4): 902-907.

III. Induced Demand (2/3)

- 1) Gruber J. and M. Owings, 1996. "Physician Financial Incentives and Cesarean Section Delivery." *RAND Journal of Economics* 27(1): 99-123.
- 2) Yip W., 1998. "Physician response to Medicare fee reductions: changes in the volume of coronary artery bypass graft (CABG) surgeries in the Medicare and private sectors." *Journal of Health Economics* 17: 675-699.

IV. Malpractice (2/10)

- 1) Kessler D. and McClellan M. "Do Doctors Practice Defensive Medicine?" *Quarterly Journal of Economics*. 111(2): 353-390.
- 2) Matsa D. "Does Malpractice Liability Keep the Doctor Away? Evidence from Tort Reform Damage Caps." *Journal of Legal Studies*, 36(S2), June 2007 Supplement.

V. Hospital Ownership (2/17)

- 1) Eggleston K., Y. Shen, J. Lau, C. Schmid, and J. Chan. "Hospital Ownership and Quality of Care: What Explains the Different Results in the Literature?" *Health Economics* 17: 1345–1362.
- 2) Lien H., S. Chou, and J. Liu. "Hospital Ownership and Performance: Evidence from Stroke and Cardiac Treatment in Taiwan." *Journal of Health Economics* 27: 1208-1223.

VI. Hospital Regulation (2/24)

- 1) Antel J., R. Ohsfeldt, and E. Becker. "State Regulation and Hospital Costs." *Review of Economics and Statistics* 77(3): 416-422.

2) Ho V., M. Ku-Goto, and J. Jollis. "Certificate of Need (CON) for Cardiac Care: Controversy over the Contributions of CON." *Health Services Research* 44(2): 483-500.

VII. Competition and Reimbursement (3/3)

1) Kessler D. and M. McClellan, 2000. "Is Competition Socially Wasteful?" *Quarterly Journal of Economics* 115(2): 577-615.

2) Dafney L., 2005. "How Do Hospitals Respond to Price Changes?" *American Economic Review* 95(5): 1525-1547.

VIII. Ambulatory Surgery Centers (3/17)

1) Hollingsworth, J. et al., 2010. "Physician-Ownership Of Ambulatory Surgery Centers Linked To Higher Volume Of Surgeries." *Health Affairs*, 29(4): 683-689.

2) Courtemanche C. and M. Plotzke, 2010. "Does competition from ambulatory surgical centers affect hospital surgical output?" *Journal of Health Economics*, forthcoming (available online).

IX. Long-Term Care (3/24)

1) Grabowski D., J. Gruber, and J. Angelelli, 2008. "Nursing Home Quality as a Public Good." *Review of Economics and Statistics* 90(4): 754-764.

2) Courtemanche C. and D. He, 2009. "Tax Incentives and the Decision to Purchase Long-Term Care Insurance." *Journal of Public Economics* 93(2): 296-310.

X. Mental Health (3/31)

1) Currie J. and M. Stabile, 2006. "Child Mental Health and Human Capital Accumulation: The Case of ADHD." *Journal of Health Economics* 25: 1094-1118.

2) Stillman S., D. McKenzie, and J. Gibson, 2009. "Migration and mental health: Evidence from a natural experiment." *Journal of Health Economics* 28: 677-687.

XI. Pharmaceuticals (4/7)

1) Lu Z. and W. Comanor, 1998. "Strategic Pricing of New Pharmaceuticals." *Review of Economics and Statistics* 80(1): 108-118.

2) Finkelstein A., 2004. "Static and Dynamic Effects of Health Policy: Evidence from the Vaccine Industry." *Quarterly Journal of Economics* 119(2): 527-564.

XII. Cost-Effectiveness Analysis (4/14)

1) Sanders G., M. Hlatky, and D. Owens, 2005. "Cost-Effectiveness of Implantable Cardioverter-Defibrillators." *New England Journal of Medicine* 353: 1471-1480.

2) Harkness J., S. Newman, and D. Salkever, 2004. "The Cost-Effectiveness of Independent Housing for the Chronically Mentally Ill: Do Housing and Neighborhood Features Matter?" *Health Services Research* 39(5): 1341-1360

XIII. Health Care Reform (4/21)

1) Gruber J., 2008. "Incremental Universalism for the United States: The States Move First?" *Journal of Economic Perspectives* 22(4): 51-68.

2) Kolstad J. and A. Kowalski, 2010. "The Impact of an Individual Health Insurance Mandate On Hospital and Preventive Care: Evidence from Massachusetts." NBER Working Paper 16012.