

ADVANCED TOPICS IN HEALTH ECONOMICS
HS 249E
PS 266

Spring 2005
Department of Health Services
UCLA School of Public Health
and
Department of Policy Studies
UCLA School of Public Policy and Social Research

- Instructor:** Thomas Rice, Ph.D.
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- Class:** Wednesdays 9 A.M.- Noon., CHS 73-378 CHS
- Office Hours:** By appointment
- Prerequisites:** HS236, PS269, or equivalent
- Credit:** 4 quarter hours
- Readings:** To be distributed

Course Objectives:

Economic theory has played an increasingly important role in the analysis and development of health care policy during the past twenty-five years. The primary objective of this course is to students' understanding of the development and application of advanced economic theory to the health care sector.

Learning Objectives:

The major learning objectives are for students to:

- Understand how economic theory is used to develop public policy,
- Apply economic theory in a written analysis of a current topic of that is relevant to public policy and to the student, and
- Develop the ability to critically analyze articles from the leading academic journals on topics related to health economics, finance, and policy.

Description of Assignments/Method of Evaluation:

This class is an advanced seminar in health economics, policy, and finance, so it is essential that students come to class prepared. Students should complete readings before attending each session to maximize the opportunity for understanding the topic(s) to be covered and to take full advantage of each lecturer's expertise by formulating questions before each session.

Students will be required to write 2 papers, 10-15 double-spaced pages in length. The first paper should deal with a topic covered during the first half of the course; the second paper with a topic covered during the latter half. Both papers should address a relevant policy issue related to the topics covered in class, but should include more thorough analysis of the literature on that topic beyond simply the articles presented in class. The primary objective of both papers is for the student to demonstrate an understanding of advanced economic concepts, and how these concepts influence current health care policies. The emphasis in these papers should not be on economic analysis *per se*, but on the link between economic analysis and policy analysis.

First paper, covering the first half of the course - 40%

Second paper, covering the second half of the course - 50%

Class participation – 10%

READINGS

APRIL 6: OVERVIEW OF HEALTH INSURANCE

Instructor: Thomas Rice

No readings

APRIL 13: SELECTION BIAS

Instructor: Dana Goldman

McClellan, M., B.J. McNeil, and J.P. Newhouse, "Does More Intensive Treatment of Acute Myocardial Infarction in the Elderly Reduce Mortality?: Analysis Using Instrumental Variables," *Journal of the American Medical Association* 272(11), September 21, 1994, pp. 859-866.

Almond, D., K.Y. Chay, and D.S. Lee, "The Costs of Low Birth Weight," National Bureau of Economic Research, May 2004.

Bhattacharya, J., D. Goldman, and N. Sood, "The Link Between Public and Private Insurance and HIV-Related Mortality," *Journal of Health Economics* 22, 2003, pp. 1105-1122.

APRIL 20: PHYSICIAN PAYMENT AND BEHAVIOR

Instructor: Thomas Rice

Fee-for-Service

Rice, T., *The Economics of Health Reconsidered*, Chicago, Health Administration Press, 2003, pp. 134-143.

Labelle, R., G. Stoddard, and T. Rice, "A Re-examination of the Meaning and Importance of Supplier-Induced Demand," *Journal of Health Economics* 13, 1994, pp. 347-368.

Mitchell, J.M., J. Hadley, and D. Gaskin, "Physicians' Responses to Medicare Fee Reductions," *Medical Care* 38(10), October 2000: 1029-1039.

Managed Care

Robinson, J.C., "Theory and Practice in the Design of Physician Payment Incentives," *The Milbank Quarterly* 79(2), 2001, pp. 149-177.

Miller, R.H., and H.S. Luft, "HMO Plan Performance Update: An Analysis of the Literature, 1997-2001," *Health Affairs* 21(4), July/August 2002, pp. 63-86.

Flood, A.B., D.M. Bott, and E. Goodrick, "The Promise and Pitfalls of Explicitly Rewarding Physicians Based on Patient Insurance," *Journal of Ambulatory Care Management* 23(1), Jan. 2000, pp. 55-70.

APRIL 27: CONSUMER INFORMATION

Instructor: Thomas Rice

Hayak, F.A., "The Use of Knowledge in Society," *American Economic Review* 35, Sept. 1945, pp. 519-530.

Mooney G., "Agency in Health Care," in *Key Issues in Health Economics*, Harvester Wheatsheaf (New York City: 1994), pp. 87-103.

Hibbard, J.H., and E.C. Weeks, "The Dissemination of Physician Fee Information: Impact on Consumer Knowledge, Attitudes, and Behaviors," *Journal of Health & Social Policy* 1, 1989, pp. 75-87. **skim**

Hoerger, T.J., and L.Z. Howard, "Search Behavior and Choice of Physician in the Market for Prenatal Care," *Medical Care* 33(4), April 1995, pp. 332-349. **skim**

Mennemeyer, S.T., M.A. Morrissey, and L.Z. Howard, "Death and Reputation: How Consumers Acted Upon HCFA Mortality Information," *Inquiry* 34, Summer 1997, pp. 117-128. **skim**

Chernew, M., and D.P. Scanlon, "Health Plan Report Cards and Insurance Choice," *Inquiry* 35, Spring 1998, pp. 9-22. **skim**

Mukamel, D.B., and A.I. Mushlin, "Quality of Care Information Makes a Difference," *Medical Care* 36(7), July 1998, pp. 945-954 (and Commentary by Chernew and Escarce). **skim**

Scanlon, D.P., M. Chernew, C. McLaughlin, and G. Solon, "The Impact of Health Plan Report Cards on Managed Care Enrollment," *Journal of Health Economics* 21, 2002, pp. 19-41. **skim**

MAY 4: HEALTH DISPARITIES
Instructor: Ninez Ponce

Theory of Discrimination & Conceptual Framework of Market-Based Disparities

Balsa, A.I., and T.G. McGuire, "Prejudice, Clinical Uncertainty and Stereotyping as Sources of Health Disparities, *Journal of Health Economics* 22(1), January 2003, pp. 89-116.

Rice, T., "The Impact of Cost Containment Efforts on Racial and Ethnic Disparities in Health Care: A Conceptualization." In: *Unequal Treatment: Confronting Racial and Ethnic Disparities in Healthcare*, Washington, DC: Institute of Medicine, 2003.

Empirical Evidence

Schulman, K.A., J.A. Berlin, W. Harless, et al., "The Effect of Race and Sex on Physicians' Recommendations for Cardiac Catheterization," *New England Journal of Medicine* 340(8), February 25, 1999, pp. 618-26.

Tai-Seale, M, D. Freund D, and A. LoSasso, "Racial Disparities in Service Use Among Medicaid Beneficiaries after Mandatory Enrollment in Managed Care: A Difference-in-Differences Approach," *Inquiry* 38(1), Spring 2001, pp. 49-59.

Balsa A.I., T.G. McGuire, and L.S. Meredith, "Testing for Statistical Discrimination in Health Care," *Health Services Research* 40(1), February 2005, pp. 227-252.

May 11: MEDICARE AND MANAGED CARE
Instructor: Gerald Kominski

Chernew, M.E., P.D. Jacobson, and T.P. Hofer, "Barriers to Constraining Health Care Cost Growth, *Health Affairs* 23(6), 2004: 122-128.

Berenson, RA., "Medicare Disadvantaged and the Elusive Search for the "Level-Playing Field," *Health Affairs*, Web-Exclusive, 2004, pp. W4:572-585.

Biles, B., G. Dallek, and N.H. Nicholas, "Medicare Advantage: Deja Vu All Over Again?, *Health Affairs*, Web-Exclusive, 2004, pp. W4:586-597.

MAY 18: HEALTH CARE SUPPLY
Instructor: Jose Escarce

Newhouse, J.P., A.P. Williams, B.W. Bennett, W.B. Schwartz, "Where Have All the Doctors Gone?" *Journal of the American Medical Association* 247(17), 1982, pp. 2392-2396.

Escarce, J.J., D. Polsky, G.D. Wozniak, and P.R. Kletke, "HMO Growth and the Geographic Redistribution of Generalist and Specialist Physicians, 1987-1997," *Health Services Research* 35(4), October 2000, pp. 825-848.

Frenzen, P.D., "The Increasing Supply of Physicians in U.S. Urban and Rural Areas, 1975 to 1988," *American Journal of Public Health* 81(9), 1991, pp. 1141-1147.

Cooper, R.A., T.E. Getzen, H.J. McKee, and P. Laud, "Economics and Demographic Trends Signal an Impending Physician Shortage," *Health Affairs* 21(1), January/February 2001, pp. 140-154.

Weiner, J.P., "Forecasting the Effects of Health Reform on U.S. Physician Workforce Requirements: Evidence from HMO Staffing Patterns [see comments]," *Journal of the American Medical Association* 272(3), 1994, pp. 222-30.

Lohr, K.N., N.A. Vanselow, and D.E. Detmer (eds.), "The Nation's Physician Workforce: Options for Balancing Supply and Requirements," Institute of Medicine, National Academy Press (Washington, DC: 1996).

MAY 25: MEDICAID
 Instructor: Arleen Leibowitz

Hoadley, F.F., P. Cunningham, and M. McHugh, "Popular Medicaid Programs Do Battle With State Budget Pressures: Perspectives From Twelve States," *Health Affairs* 23(2), March/April 2004, 143-154.

Kronick, R, and T. Gilmer, "Insuring Low-Income Adults: Does Public Coverage Crowd Out Private?," *Health Affairs* 21(1), Jan/Feb 2002, pp. 225-239.

Yelowitz, A.S, "Why Did the SSI-Disabled Program Grow So Much?: Disentangling the Effect of Medicaid," *Journal of Health Economics* 17(3), 1998, pp. 321-349.

California Department of Health Services, "Medi-Cal Redesign Fact Sheet," January 12, 2005.

<http://www.dhs.ca.gov/mcs/mcpd/MCReform/PDFs/MC%20Redesign%20Fact%20Sheet%201-12-05%20Final.pdf>

JUNE 1: PRESCRIPTION DRUGS/PHARMACEUTICAL INDUSTRY

Instructor: Geoffrey Joyce

Scherer, F.M., "The Pharmaceutical Industry." In *Handbook of Health Economics*, Volume 1, eds., A.J., and J.P. Newhouse, 2000, pp. 1297-1336.

Berndt, E.R., "The U.S. Pharmaceutical Industry: Why Major Growth in Times of Cost Containment?," *Health Affairs* 20(2), 2001, pp. 100-114.

McClellan, M., I. Spatz, and S. Carney, "Designing a Medicare Prescription Drug Benefit: Issues, Obstacles, and Opportunities," *Health Affairs* 19(2), 2000, pp. 26-41.

Goldman, D.P., G.F. Joyce, J.J. Escarce, et al., "Pharmacy Benefits and Use of Drugs by the Chronically Ill," *Journal of the American Medical Association* 291, 2004, pp. 2344-2350.

JUNE 8: MENTAL HEALTH

Instructor: Susan Ettner

Frank, R., and T. McGuire, "Economics and Mental Health," in, *Handbook of Health Economics*, Vol. 1B, ed. A.J. Culyer and J.P. Newhouse, Amsterdam: Elsevier, 2000, pp. 895-954. **Handout**