

# HEALTH POLICY ANALYSIS

UCLA – School of Public Health  
HS M233/ CHS M252

Spring 2005

March 7 version

**Lectures:** Fridays, 9:00 – 11:50 am, Room 61-269

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## Course Overview:

The course seeks to provide the policy analysis learner a conceptual foundation of the rationales for, the tools for and limitations to public policy analysis. More bluntly, it seeks to help you think like an analyst, become familiar with the tools analysts use, and write like an analyst. The course uses lectures on economics, political science and statistics reinforced by case-method learning from real-world decision dilemmas faced by public health practitioners and policy makers. The focus of the course is on the analytic process and analytic methods, rather than political analysis.

## Learning Objectives for the Course:

- Understand what policy analysis is and why we do it: students should be able to grasp concepts of what constitutes market failure, the meaning of social surplus and the limits to government intervention.
- Understand how to do policy analysis: describing the problem, developing a solution and communicating your analyses.
- Develop an understanding of some specific tools of analysis.
- Write effective policy memos for clients on current public health issues. Learn how to open a case, close a case and constructively critique a colleague's ideas.

## Tools Addressed in the Class:

- Framework for policy analysis and problem analysis
- Economic framework for analyzing government action
- Decision analysis
- Introduction to cost-benefit and cost-effectiveness analysis
- Introduction to modeling

The course is divided into two parts. In the first half of the course, we discuss the issues policy must address and the conceptual frameworks for analysis. These sessions include an introduction to policy analysis, and frames for discussing what constitutes a “problem,” available policy tools, and the issue of financing public programs. In the second half, we focus on building a toolkit for quantitative analysis. We discuss thinking quantitatively and reviewing published research, introduce cost benefit and cost effectiveness and decision analysis, and modeling cross-sectional and longitudinal policy changes.

### **Prerequisites:**

HS 236, Microeconomic Theory of the Health Sector, or an undergraduate level course on microeconomic theory

HS M287, Politics of Health Policy, or an undergraduate course on political science or public policy.

### **Assignments/Grading and Deadlines**

Nine 2-3 page assignments, a combination of case write-ups and quantitative assignments.

10 points each. The grade for the lowest graded assignment handed in will be dropped.

Class participation 20 points

Assignments are due at the beginning of the class. No credit for late assignments.

If you are going to miss a class, please let me know by e-mail.

Given the importance of full and effective oral communication in a graduate course – and even more so in the world of policy making – part of the course grade will be based on each student’s individual participation, especially during the case discussions. “Participation” includes such things as demonstrating preparation and familiarity with the course readings, offering valuable insights, speaking clearly about complex subjects, synthesizing relevant information, answering questions effectively, posing pertinent questions, as well as listening to other members of the class and building effectively upon their contributions. The beginning of each class will generally involve discussion of a specific case or issue. Students must be prepared at all times to be called upon during discussions.

Letter grades for the course will be assigned as follows:

98-100 = A+      88-89 = B+      78-79 = C+

93- 97 = A      83-87 = B      73-77 = C

90- 92 = A-      80-82 = B-      70-72 = C-

Below 70 = F

You will get out of this course what you put into it. A’s mean excellent work; B’s are acceptable grades – they mean good work. It is possible to get a C in this course if you do not put in enough effort.

Note: The workload for the course is heavy and, unfortunately, uneven. If you haven’t read the material for week one before class, you will need to catch up even while moving forward. Assignments are due each week starting in week 2. Plan ahead.

Note 2: The course is set up so that there is an introductory lecture/discussion one week, followed by reading and a written assignment on the topic due at the beginning of the next week’s class. It will be to your advantage to have at least skimmed the readings for the next week before each class.

### **Readings:**

Texts:

Feldstein PJ (2002). *Health Policy Issues: An Economic Perspective on Health Reform, Third Edition*. Chicago: Health Administration Press. **(F)**

Munger MC (200). *Analyzing Policy: Choices, Conflicts and Practices*. New York: WW Norton.. **(Munger)**

Reader:

Health Services M233. Available at Westwood Copy **(Reader)**

Within the reader, there are several excerpts from Stokey E and Zeckhauser R (1977). *A Primer for Policy Analysis*. New York: WW Norton & Company. **(SZ)**

Cases:

Cases are all from the Kennedy School Case Program, unless otherwise noted. They can be purchased and downloaded from the KSG Case Program website (make sure you indicate you are in the Academic price category): <http://www.ksgcase.harvard.edu>.

Web:

To reduce the cost of the reader, where materials are available on the web or from the UCLA library online resources, they are not included in the reader. If you find something in the reader available on the web or via the library, my apologies and please let me know for next year. If you have trouble downloading, also let me know by email as soon as possible.

If you are attempting to access the materials from off-campus, you need to set up your browser to use the BOL Proxy Server. See: <http://www.bol.ucla.edu/services/proxy>

**How classes will be run:**

Classes are generally broken into two parts: a case and a lecture. The lecture, the second part of the class except in week one, sets up the readings and case for the following week. The case provides an opportunity to apply the lecture and readings to a real world example.

To open the case, one student will be chosen at random to start the discussion by outlining the issues in the case. At the end of the case discussion, one student will be chosen at random to summarize the discussion, implications of the case and unresolved issues.

At the end of each class, please submit a page addressing two questions:

1. What would you have wanted more of? Less of?
2. What is still unclear?

**yahoo class group and forum**

I have created for the class a group on yahoo: <http://groups.yahoo.com/group/hs233>

Membership is restricted to class participants, and I will email invitations to participate to enrolled students one week before class. I will post notices and relevant files to the group, so you should log on and check notices at least weekly.

The group offers class members the opportunity to have a running conversation on topics of interest or concern. These might include discussion of readings, cases or assignments before class. You need to submit your own work but you are encouraged to discuss assignments among yourselves. You are not in competition with one another. I will check the forum at least every other day, unless I let you know otherwise, and I encourage you to make use of the forum as well. The more students who regularly participate, the more useful the forum will be.

**The session by session syllabus begins on the next page.**

## HS M233/CHS M252 Health Policy Analysis Spring 2004

### Week 1: A. Role of Analysis in the Policy Process B. Framework for Policy Analysis

#### Skills/Learnings:

How to prepare a case  
How to write a policy memo  
Policy analysis framework

#### Lecture:

Framework for Policy Analysis  
How to analyze a case  
How to write a policy memo

#### Case:

For this week: Prepare to discuss each example in  
KSG case 548.0. Ethical Problems in Public Careers: Lying

#### Readings:

**KSG case** 1136. Learning by the Case Method

**Munger:** Chapter 1: Policy Analysis as a Profession and a Process

Chapter 5: Experts and Advocacy: The Limits of Policy Analysis

Chapter 12: Conclusion

**Web:** Bardach, *Policy Analysis: A Handbook for Practice*. Available at:

<http://www.puaf.umd.edu/courses/puaf790/bardach.pdf>

**Reader: SZ:** Chapter 15: Putting Analysis to Work

**Reader:** Needleman, *Creating a Statement of the Problem*

**Web:** Cronon, "Only Connect," *American Scholar* 1998. 67(4). Available at:

<http://www.pbk.org/about/Events/Conversations/CrononOnlyConnect.PDF>

**Web:** Surowiecki, "Board Stiffs," *The New Yorker*, March 8, 2004, page 30. Available at:

[http://www.newyorker.com/talk/content/?040308ta\\_talk\\_surowiecki](http://www.newyorker.com/talk/content/?040308ta_talk_surowiecki)

**Reader:** Needleman, *Creating a Statement of the Problem*

**Recommended:** Stone, *Policy Paradox*, Chapter 1: The Market and the Polis

#### Advice on writing policy memos:

You will need to learn to write policy memos. They come in two flavors: analytic/decision support, and persuasive. The first are used internally to brief others on findings and analysis. Even when they make a recommendation, the goal is to allow the reader to reach his/her own conclusions. The second type of memo is to convince an external audience. There is a lot of advice on the web on how to write policy memos, but few examples of a short analytic memo. Look at the following:

Wilcoxon "Tips on Writing a Policy Memo" available in the reader and at:

<http://wilcoxen.cp.maxwell.syr.edu/pages/275.html>

Imperial "Guidelines" available in the reader and at:

[http://people.uncw.edu/imperialm/UNCW/PLS\\_308\\_Summer/PLS\\_308\\_Sum\\_guidelines.htm](http://people.uncw.edu/imperialm/UNCW/PLS_308_Summer/PLS_308_Sum_guidelines.htm)

Dobel, Elmore and Werner "Memoranda Writing" available on the yahoo group site

Helms, "More Observations on Writing Policy Papers," available on the yahoo group site.

Seriously, look at these documents.

**Assignment due at the beginning of the next class:**

Malpractice and Reimportation of Prescription Drugs have both been subject to recent policy debates. Each is the subject of a chapter in Feldstein on the reading list for next week. Choose one. Begin with statements of potential problems as they have been put forward in the current debate. What information/analysis would you conduct to assess how accurate these assertions are and how serious any underlying problems are. For each, you will need to consider explanation, the underlying causes, and prognosis, what will happen if nothing changes. Consider how much uncertainty there is in the prognoses and what will influence the actual outcome. What goals or criteria for evaluating options would you propose. Who would support or reject each goal/criterion. You will likely need to augment Feldstein with other readings.

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**Week 2:      A. Framework for Policy Analysis  
                  B. What Problem Are We Trying to Solve**

**A:**

**Readings:**

**Munger:** Chapter 3: A Benchmark for Performance: The Market (skim if have solid microeconomics background)

**F:** Chapter 1: The Rise in Medical Expenditures

**F:** Chapter 2: How much should we spend on Medical Care?

**F:** Chapter 13: The Malpractice Crisis

**F:** Chapter 25: Why Are Prescription Drugs Less Expensive Overseas?

**Reader:** Stone, *Policy Paradox*, Chapter 2: Equity

**Case:**

Creating a Framework for Policy Analysis: A. Malpractice, B. Prescription Drug Reimportation

**B:**

**Skills/Learnings:**

Problem Analysis

Economic and political arguments for public policy interventions

**Lecture:** Rationales for Public Action: Market Failure, Inequity, and Government Failure

**Assignment due at beginning of next class:**

Malpractice/Drug Reimportation (B)

For either of these issues, prepare a 2-3 page paper addressing the following: What is the nature of the current malpractice or drug price problem, recast in terms of the market failure/equity/government failure frames discussed this week? Graphs (handwritten if necessary) or tables are always welcome if they make your argument clearer.

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**Week 3:       A. What Problem Are We Trying to Solve**  
**B. Policy Tools: Do, Regulate, Tax, Subsidize, Educate**

**A:**

**Readings:**

- Munger:** Chapter 4: Evaluation and Market Failure  
              Chapter 7: The Welfare Economics Paradigm  
**Reader: SZ:** The Model of Choice  
**Reader:** Stone, *Policy Paradox*, Chapter 2: Equity

**Case:**

Market/Drug Reimportation (B)

**B:**

**Skills/Learnings:**

Economic and political arguments for public policy interventions

**Lecture:** Policy Tools: Do, Regulate, Tax, Subsidize, Educate

**Assignment due at beginning of next class:**

KSG Case 699. Controlling Acid Rain, 1986. 2-3 page paper: You are the aide to a Mountain West Senator whose constituents are not directly affected by acid rain. Write a memo to your boss presenting the issues in the Waxman-Sikorski bill with a recommendation on how she should vote. (Remember Wilcoxon on memo writing). Among the issues you will have to think about in preparing your memo are:

1. What are the costs of acid rain control?
2. What are the principal sources of uncertainty in forecasting the benefits of control and placing the correct dollar values on those benefits?
3. Did the NAPAP study evaluate the appropriate benefits of control and place the correct dollar value on those benefits?
4. Based on current information, what controls would you recommend on acid rain? Taxes or caps? Tradable caps or fixed requirements for each plant?

All these may not go into your memo in detail but be prepared to discuss in class.

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**Week 4:       A. Policy Tools: Do, Regulate, Tax, Subsidize, Educate**  
**B. Ways and Means: Taxes and Tax Incidence**

**A:**

**Readings:**

- Munger:** Chapter 8: Choice of Regulatory Form  
**Reader:** Weimer and Vining, Chapter 10: Correcting Market and Government Failure: Generic Policies  
**Web:** Joint Economic Committee, Tradable Emissions, 1997. Available at:  
<http://www.house.gov/jec/cost-gov/regs/cost/emission.pdf>  
and posted to group web site  
**Web:** Tientenberg, The Tradable Permits Approach to Protecting the Commons: What Have We Learned? Written for the National Research Council Institutions for Managing the Commons Problem. Available at (use link to get PDF):

<http://www.colby.edu/personal/t/thtieten/TT.NRC4.pdf>

and posted to the group web site.

**Reader:** Stone, *Policy Paradox*, Introduction to Part IV: Solutions

**Case:**

KSG case 699: Controlling Acid Rain, 1986

**B:**

**Skills/Learnings:**

Issues in determining how to financing public programs

**Lecture:** Taxes and Tax Incidence: How States Finance Health Care

**Assignment due at beginning of next class:**

KSG Case 1278: Catastrophic Health Insurance for the Elderly

You are a legislative aide to a Midwestern member of Congress. Prepare a 2-3 page policy memo outlining choices for financing the Medicare Catastrophic Health Insurance Plan, focusing on the incidence of each option. For each option, assess 1) adequacy of financing, 2) equity of the financing approach (define your criteria for equity!), 3) economic distortions, if any, associated with the option, and 4) political acceptability or problems associated with the option. Make and justify a recommendation.

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**Week 5:      A. Ways and Means: Taxes and Tax Incidence  
                  B. Reading Research and Thinking Quantitatively**

**A:**

**Readings:**

**F:** Chapter 29: Medical Research, Medical Education, Alcohol Consumption and Pollution: Who Should Pay?

**Web:** Stephen J. Entin, "Tax Incidence, Tax Burden, and Tax Shifting: Who Really Pays the Tax?" pages 1-11. Available at:

<http://www.heritage.org/Research/Taxes/cda04-12.cfm>

and on group web site

**Web:** McClellan and Skinner, Medicare Reform: Who Pays and Who Benefits, *Health Affairs* (1999), 18:1, 48-62. Available full text through UCLA library.

**Case:**

KSG case 1278: Catastrophic Health Insurance for the Elderly

**B:**

**Skills/Learnings:**

**Lecture:**

Reading research

Regression coefficients, odds ratios, risk ratios, and elasticities

**Assignment due at beginning of next class:**

KSG case 680: Conflicting Findings: Evaluating WIC

You are Louis Bird, committee staff. Write a 2-3 page memo with your assessment of the findings from the GAO report and implications for committee action. Take the closing question in the case as your task.

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**Week 6:        A. Reading Research and Thinking Quantitatively**  
**B. Measuring Social Surplus and Intro to Cost Benefit Analysis**

**Readings:**

**Reader:** Needleman, Critiquing a research article.

**Reader:** Needleman, Stats Overview

**Reader:** Weimer and Vining, Chapter 18: When Statistics Count: Revising the Lead Standard for Gasoline

**Web:** Fermi Problems [http://www.ph.utexas.edu/~gleeson/httb/section1\\_3\\_3\\_5.html](http://www.ph.utexas.edu/~gleeson/httb/section1_3_3_5.html) and [http://www.vendian.org/envelope/dir0/fermi\\_questions.html](http://www.vendian.org/envelope/dir0/fermi_questions.html)

**Case:**

KSG case 1278: Catastrophic Health Insurance for the Elderly

**B:**

**Skills/Learnings:**

Economic measures of benefit and social surplus

Cost-benefit analysis

**Lecture:** Introduction to Cost-Benefit Analysis

**Assignment due at beginning of next class:**

KSG case 821. Matters of Life and Death: Defunding Organ Transplants in the State of Arizona

You are a member of the legislative analyst's staff in Arizona. Write a memo analyzing the impact of the proposed policy. What is the trade-off between transplants and pre-natal care? Numbers? Impacts? You may need to research/ballpark some numbers. You are encouraged to use the yahoo group to share information.

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**Week 7:        A. Measuring Social Surplus and Intro to Cost Benefit Analysis**  
**B. Benefit and Cost Effectiveness Analysis**

**A:**

**Readings:**

**Munger:** Chapter 10: Discounting II: Time

**Munger:** Chapter 11: Cost Benefit Analysis

**F:** Chapter 3: Do More Medical Expenditures Produce Better Health?

**F:** Chapter 5: Rationing Medical Care

**Case:**

KSG case 821. Matters of Life and Death: Defunding Organ Transplants in the State of Arizona

**B:**

**Skills/Learnings:**

Cost-benefit and cost effectiveness analysis: issues and methods

**Lecture:** Cost-Benefit and Cost-Effectiveness 2

**Assignment due at the beginning of next class:**

Read the following cost-benefit analysis and letters responding to the published study in JAMA:

Sue Goldie, et al., "Policy Analysis of Cervical Cancer Screening Strategies in Low-Resource Settings: Clinical Benefits and Cost Effectiveness," *JAMA* (2001), 285:24, 3107-3115.

Correction, *JAMA* (2001), 286:9, 1026

Letters, *JAMA*(2001), 286:24, 3079-3081

You are the health advisor to the President of Haiti. Write a 2-3 page memo summarizing the study and making recommendations on what, if anything, should be done in response to this study.

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**Week 8:        A. Benefit and Cost Effectiveness Analysis  
                  B. Decision Analysis**

**A:**

**Readings:**

To be determined

**Case:**

Cervical Cancer Screening Strategies in Low-Resource Settings

**B:**

**Skills/Learnings:**

Decision analysis

Combining Cost-Benefit and Decision Analysis

**Lecture:**

Choice Under Uncertainty

Decision analysis

**Assignment due at the beginning of next class:**

KSG Case 313 Swine Flu (A)

KSG Case 314 Swine Flue (Appendix)

Write a 2-3 page memo assessing whether a national swine flu inoculation program should be implemented based on an assessment of the consequences of acting or not acting. A decision tree should be attached to this analysis. What are the tipping points that would change your recommendation (e.g., difference in likelihood of pandemic, rate of injuries due to vaccination, cost of the program).

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**Week 9:        A. Decision Analysis  
                  B. Difference Equations and Modeling**

**A:**

**Readings:**

**Reader: SZ:** Chapter 12 Decision Analysis pages 201-220

**Munger:** Chapter 9: Discounting I: Expected Values, Probability and Risk

**Web:** Detsky et al. Primer on Medical Decision Making, Parts I-V, *Medical Decision Making*, 1997, 17, 125-159. Available on web at:

<http://umg.umdnj.edu/smdm/pdf/17-02-124.pdf>

<http://umg.umdnj.edu/smdm/pdf/17-02-126.pdf>

<http://umg.umdnj.edu/smdm/pdf/17-02-136.pdf>

<http://umg.umdnj.edu/smdm/pdf/17-02-142.pdf>

<http://umg.umdni.edu/smdm/pdf/17-02-152.pdf>

**Case:**

Swine Flu (A)

**B:**

**Skills/Learnings:**

Difference equations and growth models  
Modeling and Simulation

**Lecture:**

Difference equations, modeling and simulation

**Assignment due at the beginning of next class:**

Problem Set 1

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**Week 10:    A. Difference Equations and Modeling  
              B. Closing Thoughts**

**A:**

**Readings:**

**Reader:** Quade, *Analysis for Public Decisions*, Chapter 9 Models

**Reader: SZ:** Difference equations

**Web:** Congressional Budget Office, Increasing Small-Firm Health Insurance Coverage Through Association Health Plans and Health Marts, January 2000. Available at:

<http://www.cbo.gov/showdoc.cfm?index=1815&sequence=0>

and posted to yahoo group.

**Case:**

Problem Set 1

**B:**

**Discussion:**

Closing Thoughts

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