

Winter 2004

Microeconomic Theory of the Health Sector Health Services 236

CHS 41-235
Tuesdays/Thursdays
10:00 am -11:50 am

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appointment
CHS 31-254B

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Discussion: Fridays 1-1:50pm
Section: CHS 61-235
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CHS 31-254

Course information

The course is an introduction to the field of health economics. We will focus on theories of microeconomics with specific applications to the health care system. Using economic analysis, the course will examine important health policy issues such as the integration of the health care delivery system, the role of government safety net programs and the impact of competition and regulation on providers and patients. Prerequisites: An undergraduate course in microeconomics.

Textbooks

We will use two textbooks for this course. The primary textbook will be Health Economics, by Charles Phelps, 3rd ed. Addison-Wesley, c2003; denoted as (P). This is one of the best introductory textbooks on the economics of health and the health sector. Phelps is intuitive in his approach, uses lots of examples and graphs, and reserves the math to the appendix after each chapter. A chapter on Medicaid covered in the 2nd edition will be handed out in class on February 26th. The second book will be Thomas Rice's, The Economics of Health Reconsidered, Health Administration Press, 2nd ed. 2002, denoted as (R). This book is more advanced and evaluates how well (or not well) the economic viewpoint applies to health. It is probably best to read the entire book after you've completed this course, but I've assigned readings that will enhance your understanding of the lectures and the readings from Phelps.

Attendance

Students are expected to attend every class lecture, including review sessions, and to attend the TA session reviewing microeconomic theory.

Exams

There will be two exams. The first exam will be a midterm to be given in class on Feb 3. The second and final exam will be given in class on March 11. Though in general the final exam will stress information covered since the midterm, it will integrate information from the entire course. Please note: Make-up exams will not be offered. If you miss the midterm, the final exam grade will be used to determine 70% of your grade.

Problem Sets

There will be two problem sets handed out during the quarter. These problem sets will focus on microeconomic applications to topical health issues. You will be given a week to work on the problem sets and you are encouraged to work in a group to discuss and solve the problems. Problem sets are due at the beginning of class on the days noted. Late problem sets will receive no credit.

Grading

Problem Sets	30%
Midterm	30%
Final	40%

Tentative Class Schedule (course outline)

The following dates are subject to change and adjustment as the quarter progresses.
Changes will be announced in class and via e-mail.

Date	Topic	Readings
8-Jan	Why Health Economics?	P(ch 1); R(Foreword, ch 1)
13-Jan	Overview of Markets in Medical Care & Health Insurance	P(ch 2); R(ch 2.1-2.2)
15-Jan	The Production of Health: Can Life Be Reduced to a Simple Equation?	P(ch 3); R(ch 2.3)
20-Jan	No Class	
22-Jan	Demand for Health and Medical Care (Problem Set 1 to be handed out, due 29-Jan)	P(4); R (ch 3.1-3.2)
27-Jan	Demand for Health Insurance & Some Evidence	P(ch 10); R (ch 3.3), P(ch 5)
29-Jan	Review; Turn in Problem Sets	
03-Feb	Midterm (covers material through 27-Jan)	
05-Feb	The Supply & Market of the Health Workforce	P(ch 6 ,7)
10-Feb	Hospitals as Suppliers of Medical Care	P(ch 8, 9); R(4.1, 4.2)
12-Feb	Managed Care & Selection Bias	P(ch 11); R(4.3)
17-Feb	Equity and Redistribution	P(ch 16: pp 547-556); R (5)
19-Feb	Is there a Role for Governments? Competition, Externalities & Market Failures	P(ch 14); R(ch 6.1, 6.2)
24-Feb	International Systems: Lessons from Abroad	P(ch 16) ; R(6.3, 7)
26-Feb	The U.S. Federal Safety-Net: Medicare	P(ch 12)
02-Mar	The U.S. Fed-State Cost-Share: Medicaid & CHIP	P(ch 13, 2 nd edition handout)
04-Mar	When Prices are not Enough: Regulation & Litigation: Consequences on Access, Cost and Quality (Problem Set 2 to be handed out, due Mar 9)	P(ch 13,15); R(6.2)

Date	Topic	Readings
09-Mar	Review	
11-Mar	Final Exam (in class 10 th week) (covers all material through 4-Mar)	
