

Advanced Topics in Health Economics
UCLA – School of Public Health
HS M249E/ PS 266
Winter 2003

Lectures: Wednesdays, 9:00 – 11:50 am, Room 61-262
Office Hours: Thursdays, 1:30-2:30, Room 31-254B or by appointment

Faculty: Ninez Ponce, Ph.D., M.P.P.
Assistant Professor, UCLA School of Public Health
Phone: (310) 206-4021 (Tuesdays-Thursdays) or (310) 794-0992 (Mondays)
Email: nponce@ucla.edu (Best way to reach me.)

Course Overview:

Economic forces play a prominent role in shaping the formulation of health policy and in the delivery of health services. Through guest lectures from leading health economists from the Health Services Department, School of Public Policy, Department of Economics and School of Medicine at UCLA, and RAND Health, the course delves into advancing the understanding of microeconomic theory as it is applied to key policy areas. Students should complete assigned readings, prior to the lecture to effectively engage with each lecturer. This discourse will facilitate the development of two papers that discuss how economic theory guides the decisions made in health policy.

Learning Objectives:

- Understand the advanced concepts of demand for health insurance and health services, the supply of inputs to medical care (physician supply, pharmaceuticals).
- Understand the economic issues surrounding Medicaid and Medicare, including physician payment.
- Understand the role of government and the private sector in raising the health and welfare of developing nations.
- Understand how economic theory informs the measure of discrimination and race and ethnic disparities in health.
- Develop a critical understanding of the value of data watch reports, policy studies, and journal articles that discuss current health care topics.
- Write two papers that demonstrate the assimilation of the lectures and course readings as well as additional relevant reference materials on choice of topics.

Pre-requisites:

This is a required course for the policy track in the MPH program. Students must have completed HS 236, Microeconomic Theory of the Health Sector, PS 269 or equivalent.

Assignments/Grading and Deadlines:

Two 10-15 page papers, double spaced:

1 st paper on choice of topics covered during first half of course due 6 th week of class	40%
2 nd paper on choice of topic covered during second half of course due Monday of Finals week	50%
Class participation (!!!)	10%

Required Readings:

Health Services M249E Reader
Available from Quinx Copy Co. (888) 824-1441

Schedule of Lectures for HS 249E:

- WEEK 1:
January 8: OVERVIEW OF HEALTH ECONOMICS and HEALTH INSURANCE
Instructor: Ninez Ponce
- WEEK 2
January 15: SELECTION BIAS
Instructor: Dana Goldman
- WEEK 3
January 22 PHARMACEUTICAL ECONOMICS
Instructor: Stuart Schweitzer
- WEEK 4
January 29 MEDICAID
Instructors: Arleen Leibowitz and Janet Currie
- WEEK 5
February 5 PHYSICIAN PAYMENT AND BEHAVIOR
Instructor: Thomas Rice
- WEEK 6
February 12 HEALTH CARE SUPPLY
Instructor: Jose Escarce
1st paper due in class
- WEEK 7
February 19 MEDICARE AND MANAGED CARE
Instructor: Gerald Kominski
- WEEK 8
February 26 DEVELOPING COUNTRIES
Instructor: Robert Nordyke
- WEEK 9
March 5 HEALTH DISPARITIES
Instructor: Ninez Ponce
- WEEK 10
March 12 REVIEW & DISCUSSION of TOPICS
Instructor: Ninez Ponce
- FINALS WEEK
March 17 2nd paper due by 5pm, hard copy submitted to 31-254B

READINGS

WEEK 1:

January 8: OVERVIEW OF HEALTH INSURANCE
 Instructor: Ninez Ponce

Insurance Statistics

Mills, R., Health Insurance Coverage, 2001, US, Census. September 2002.
Download report at: <http://www.census.gov/prod/2002pubs/p60-220.pdf>

Brief History of Health Insurance and its Regulation

Starr, P.R., The Social Transformation of American Medicine, Basic Books (New York City: 1982), pp. 290-310 & 327-334. [optional reading]

Greene et al., Risk and Insurance, pp. 563-577.

Medical Underwriting and Rating

Greene et al., Risk and Insurance, p 531-534.

Dickerson, O.D., Health Insurance, (Homewood, IL: R.D. Irwin), 1968, pp. 539-556.

Light, D.W., "The Practice and Ethics of Risk-Rated Health Insurance," Journal of the American Medical Association 267(18), May 13, 1992, pp. 2503-2508.

Adverse Selection

Akerlof, G.A., "The Market for Lemons: Qualitative Uncertainty and the Market Mechanism," Quarterly Journal of Economics 84, 1970, pp. 488-500 [skip section B].

Evans, R.G., Strained Mercy, Butterworth (Toronto: 1984), pp. 40-44.

Moral Hazard

Moore, F.C., Fires: Their Causes, Prevention and Extinction, (New York City: 1877), pp. 17-27.

Pauly, M., "The Economics of Moral Hazard: Comment," American Economic Review 58(3), June 1968, pp. 531-537.

Rice, T., The Economics of Health Reconsidered, Health Administration Press (Chicago: 1988), pp. 86-93.

WEEK 2

January 15: SELECTION BIAS
 Instructor: Dana Goldman

Robinson, J.C., L.B. Gardner and H.S. Luft, "Health Plan Switching in Anticipation of Increased Medical Care Utilization," Medical Care 31(1), January 1993, pp. 43-51.

Riley, G., E. Rabey, and J. Kasper, "Biased Selection and Regression Towards the Mean in Three Medicare HMO Demonstrations: A Survival Analysis of Enrollees and Disenrollees," Medical Care 27(4), April 1989, pp. 337-351.

Miller, R., and H. Luft, "Managed Care Plan Performance Since 1980: A Literature Analysis," *Journal of the American Medical Association* 271(19), May 18, 1994, pp. 1512-1519.

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.

WEEK 3

January 22: PHARMACEUTICAL ECONOMICS
Instructor: Stuart Schweitzer

Schweitzer, S.O, and W.S. Comanor, "Pharmaceutical Prices and Expenditures," in *Changing the U.S. Health Care System*, ed. R.M. Andersen, T.H. Rice, and G.F. Kominski, San Francisco: Jossey Bass, 2001.

WEEK 4

January 29: MEDICAID
Instructors: Arleen Leibowitz and Janet Currie

Weissman, J.S., and A. Epstein, *Falling Through the Safety Net: Insurance Status and Access to Health Care*, The Johns Hopkins University Press (Baltimore: 1990), Chapters 5 and 6.

Currie, J., and J. Grubar, "Saving Babies: The Efficacy and Cost of Recent Expansions of Medicaid Eligibility for Pregnant Women," *Journal of Political Economy*, December 1996, pp. 1263-1296.

Leibowitz, A.A., et al., "The Effect of State Health Policies on the Demand for HIV/AIDS Drugs," Draft paper.

Westmoreland, T. "Medicaid & HIV/AIDS Policy: A Basic Primer," prepared for the Henry J. Kaiser Family Foundation, July 1999: <http://www.kff.org/search/htsearch.cgi>

Cutler, D., and J. Gruber, "Does Public Insurance Crowd Out Private Insurance?" *Quarterly Journal of Economics*, May 1996, pp. 391-430.

WEEK 5

February 5: PHYSICIAN PAYMENT AND BEHAVIOR
Instructor: Thomas Rice

Fee-for-Service

Rice, T., *The Economics of Health Reconsidered*, Chicago, Health Administration Press, 2003: 134-43.

Labelle, R., G. Stoddart, and T. Rice, "A Re-examination of the Meaning and Importance of Supplier-Induced Demand," *Journal of Health Economics* 13, 1994: 347-68.

Mitchell, J.M., J. Hadley, and D.J. Gaskin, "Physicians' Responses to Medicare Fee Schedule Reductions," *Medical Care* 38(10), October 2000: 1029-39.

Managed Care

Robinson, J.C., "Theory and Practice in the Design of Physician Payment Incentives," *The Milbank Quarterly* 79(2), 2001: 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: 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), January 2000: 55-70.

WEEK 6

February 12: HEALTH CARE SUPPLY

Instructor: Jose Escarce

To be distributed a week before class.

WEEK 7

February 19: MEDICARE AND MANAGED CARE

Instructor: Gerald Kominski

Gold M. , "Medicare+Choice: an interim report card," Health Affairs 2001;20(4):120-137.

Berenson R. "Medicare+Choice: doubling or disappearing?" Health Affairs 2001;21(1):W65-W82.

Thorpe KE, and A. Atherly, "The current role of Medicare+Choice and its near-term prospects," Health Affairs 2002;21(5):W242-W252.

Dowd B, and R. Feldman, "Having it all: national benefit equity and local payment parity in Medicare." Health Affairs 2002;21(3):208-214.

WEEK 8

February 26: DEVELOPING COUNTRIES

Instructor: Robert Nordyke

Krueger, A.O.. " Government Failures in Development," The Journal of Economic Perspectives, 4(3) Summer, 1990, pp 9-23.

Nordyke, R.J., and J.W. Peabody, "Market Reforms and Public Incentives: finding a balance in the Republic of Macedonia, Social Science and Medicine, 54, 2002, pp.939-953.

Srinivasan, T.N., "Human Development: A New Paradigm or Reinvention of the Wheel? The American Economic Review, 84(2), May 1994, pp. 238-243.

Thorbecke E. and C. Charumilind, "Economic Inequality and Its Socioeconomic Impact, World Development, 30(9), 2002, pp. 1477-1495

WEEK 9

March 5: HEALTH DISPARITIES

Instructor: Ninez Ponce

Overview

Semdley, B. et al., "Unequal Treatment: Confronting Racial and Ethnic Disparities in Health Care," (2002) Institute of Medicine (IOM) Download report at <http://www.nap.edu/books/030908265X/html/>

Theory of Discrimination

Balsa A.I., and T.G. McGuire, "Statistical Discrimination in Health Care," *Journal of Health Economics*, 20 (2001), Pages 881-907

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, Pages 89-116.

Williams, D.R. and T.R. Ricker, "Understanding and Addressing Racial Disparities in Health Care," *Health Care Financing Review*, Summer 2000, 21(4) pp. 75-90.

Evidence of Racial Disparities

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

Schulman, K.A. et al., "The Effect of Race and Sex on Physicians' Recommendations for Cardiac Catheterization," *The New England Journal of Medicine*, February 25, 1999, pp. 618-625.

Framework for Reducing Disparities

Brach C, and I. Fraser I., "Can Cultural Competency Reduce Racial and Ethnic Health Disparities? A Review And Conceptual Model," *Medical Care Research and Review* 2000;57 Suppl 1, pp. 181-217.

WEEK 10

March 12: REVIEW & DISCUSSION of TOPICS

Instructor: Ninez Ponce