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Office hours: Wednesdays, 3:00-5:00

HEALTH CARE POLICY AND FINANCE – Winter 2005
Public Policy M269 (717-414-200) and
Health Services M269 (846-414-200)
Room: 4371B Public Policy Building

The class will meet on **Mondays and Wednesdays** from **1:00 p.m. to 2:20 p.m.** Classes will have largely a seminar format, with a mix of formal presentation and discussion. Students should read the recommended readings before the class in order to participate fully in the class discussion. Readings are found in the course reader, which can be purchased from Course Reader Material, 1137 Westwood Blvd (310-443-3303). In some cases where readings are readily available online, the website will be given in the syllabus.

Course Objectives:

- To understand the relationships between incentives presented by the healthcare system and outcomes such as health care use and expenditures
- To understand how public insurance and tax policies and programs create these incentives.
- To understand how private and public policies can alter incentives and modify both cost and health outcomes.
- To understand public insurance for the poor (Medicaid) and the aged (Medicare).
- To compare the incentives and outcomes of the U.S. system with incentives and outcomes in other countries.

Methods of Evaluation:

There will be two written exercises. In the first, students will write a policy memo relating to a current policy issue in insurance and participate in a debate on that issue in class. The second paper requires the student to choose an OECD country other than the U.S. and analyze the incentives presented by its health care system. OECD data on health and health care system use will then be used to determine in what ways the incentives are reflected in health and utilization outcomes. Students will present their findings to the class. Student grades are based on these two exercises and on class participation.

Knowledge and Skills Outcomes:

Reinforce microeconomic techniques and methods, learn specific facts about the organization of insurance and health care policies.

A Useful Resource:

The Kaiser Family Foundation maintains a number of useful websites where one can obtain information about health policy. www.kff.org is Kaiser's main website and provides complete access to Foundation publications and projects. For current developments in health policy, also see www.kaisernetwork.org. To obtain online information about state health policies (e.g., numbers of uninsured, state Medicaid eligibility requirements), check out www.statehealthfacts.kff.org.

Course Website:

The course website is at www.spa.ucla.edu. Then go to Public Policy, Courses, course webpages and click on PP 269 for W 05.

INSURANCE MODULE**MONDAY, JANUARY 10: TRENDS IN HEALTH FINANCE**

Newhouse, J., "Medical Care Costs: How Much Welfare Loss?", *Journal of Economic Perspectives*, (Summer 1992).

Strunk, B.C., Ginsburg, P.B. "Tracking Health Care Costs: Trends Turn Downward in 2003", *Health Affairs*. Web Exclusive. June 2004.

Strunk BC, Ginsburg PB. "Aging Plays Limited Role in Health Care Cost Trends." *Center for Studying Health System Change*, no. 23 (Sept. 2002).

WEDNESDAY, JANUARY 12: INSURANCE BASICS

Pauly, M., "The Economics of Moral Hazard: Comment, *American Economic Review*, June 1968, Vol. 58, No. 3, pp. 531-537.

Nyman, J.A. "Is 'Moral Hazard' Inefficient? The Policy Implications of a New Theory" *Health Affairs*, September/October, 2004. 23(5): 194-199.

MONDAY, JANUARY 17: MARTIN LUTHER KING DAY. NO CLASS**WEDNESDAY, JANUARY 19: THE EFFECT OF INSURANCE ON DEMAND**

Manning, W. et al., "Health Insurance and the Demand for Medical Care Evidence from a Randomized Experiment," *American Economic Review*. (June 1987);77: 251-277.

MONDAY, JANUARY 24: THE DEMAND FOR INDIVIDUAL INSURANCE
(Assignment of pro and con positions for class debate on February 9.)

Akerlof, G. "The Market for Lemons," *Quarterly Journal of Economics*, (August 1970);84(3):488-500.

Pauly MV, Nichols LM. "The Nongroup Health Insurance Market: Short on Facts, Long On Policy Disputes" plus 12 commentaries. Available at:
www.healthaffairs.org/WebExclusives/2106/Pauly.pdf
Or go to www.healthaffairs.org and search for authors under quicksearch.

Buntin, M.B., Marquis, M.S., Yeglan, J.M. "The Role of the Individual Health Insurance Market And Prospects for Change" *Health Affairs*. November/December 2004. 23(6):79-90.

WEDNESDAY, JANUARY 26: EMPLOYMENT BASED INSURANCE

Gabel J, Claxton, Holve E, Gil, Isadora, Pickreign J, Whitmore H, et al. "Health Benefits in 2004: Four Years of Double Digit Premium Increases Take Their Toll on Coverage". *Health Affairs* (September/October 2004) 23(5):200-209.

Chernew, Michael, Frick K, McLaughlin CG. "The Demand for Health Insurance Coverage by Low Income Workers: Can Reduced Premiums Achieve Full Coverage?" *Health Services Research*. (October, 1997); 32(4): 453-470.

Blumberg, Linda J. "PERSPECTIVE: Who Pays for Employer-Sponsored Health Insurance?" *Health Affairs* 18:58-61 (November/December 1999). Found at www.healthaffairs.org.

MONDAY, JANUARY 31: THE UNINSURED AND THE SAFETY NET

"Changes in Insurance Coverage: 1994-2000 and Beyond". Download from www.kff.org, Click on Medicaid and the Uninsured. Click on the title.

Woolhandler, S, Himmelstein DU. "Paying for National Health Insurance—And Not Getting It" *Health Affairs*. (July/August 2002) 21(4):88-104.

Enthoven, Alain C, Kronick, Richard. "Universal Health Insurance Through Incentives Reform", *Journal of the American Medical Association*, May 15, 1991, Vol. 265, No. 19:2532-2536.

WEDNESDAY, FEBRUARY 2: MEDICAID AND SCHIP

Kaiser Commission on Medicaid and the Uninsured. State Fiscal Conditions and Medicaid. November 2004.

Cutler, D, J Gruber, “Does Public Insurance Crowd Out Private Insurance?” *Quarterly Journal of Economics*, 1996. 61:391-430.

Kronick R, Gilmer T. “Insuring Low-Income Adults: Does Public Coverage Crowd Out Private?” *Health Affairs* (January/February 2002) 21(1):225-239.

Hoadley, J.F., Cunningham, P., McHugh, M. “Popular Medicaid Programs Do Battle With State Budget Pressures: Perspectives From Twelve States”. *Health Affairs*. March/April 2004.23(2):143-154.

MONDAY, FEBRUARY 7: MEDICARE AND SUPPLEMENTAL COVERAGE

Laschober MA, Kitchman M, Neuman P, Strabic AA. “Trends in Medicare Supplemental Insurance and Prescription Drug Coverage, 1996-1999. Download at www.healthaffairs.org/webexclusives/laschober_web_excl_022702.htm

WEDNESDAY, FEBRUARY 9: CLASS DEBATE AND DUE DATE FOR POLICY MEMO.

The Governor of California has stated that in January 2005 he will propose fundamental changes to California’s program for insuring the poor, Medi-Cal. These changes may take the form of: cost-sharing; mandating managed care enrollment for groups that are not currently required to receive Medi-Cal services from managed care organizations; or reducing Medi-Cal provider payments. Each student will be assigned one of the reform elements the Governor proposes and will write a policy memo to the Governor providing a policy analysis that either supports or challenges his proposals. In class, we will have a structured debate on the various components of the reform plan.

Assignments of topics and pro and con positions will be made on January 24.

COMPETITION AND HMO MODULE

MONDAY, FEBRUARY 14: INCENTIVES IN MANAGED CARE

Pauly, M.V. and S.D. Ramsey, “Would you like suspenders to go with that belt? An analysis of optimal combinations of cost sharing and managed care”. *J. Health Economics* 18:443-458 (August 1999). www.elsevier.com/locate/econbase

Hillman, Alan L., W. Pete Welch, Mark V. Pauly, “Contractual Arrangements Between HMOs and Primary Care Physicians: Three Tiered HMOs and Risk Pools”, *Medical Care*, 30(2), February 1992:136-148.

Ma, Ching-to Albert, Thomas G. McGuire, “Costs and Incentives in A Behavioral Health Carve-Out,” *Health Affairs*, 17(2), March/April 1998:53-71.

WEDNESDAY, FEBRUARY 16: USE OF HMO SERVICES

Manning, W., A. Leibowitz, G. Goldberg, W. Rogers, and J. Newhouse, “A Controlled Trial and the Effect of a Prepaid Group Practice on the Use of Services,” *New England Journal of Medicine*, Vol. 310, June 7, 1984, pp. 1505-1510.

Reschovsky, J.D., P. Kemper, Tu, H.T , “Does Type of Health Insurance Affect Health Care Use and Assessments of Care Among the Privately Insured?” *Health Services Research* (April 2000), 35:219-237.

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

MONDAY, FEBRUARY 21: PRESIDENT’S DAY. NO CLASS

WEDNESDAY, FEBRUARY 23: MANAGED CARE FOR MEDICAID

Morgan, Robert O., Beth A. Virnig, Carolee A. DeVito, Nancy A. Persily, “The Medicare-HMO Revolving Door—The Healthy Go in and the Sick go Out,” *The New England Journal of Medicine*, 337(3), July 17, 1997:169-175.

Leibowitz, A. “Medicaid Managed Care for Children and Youth: Managing Costs or Managing Care?” In *Changing Welfare*, Rachel A Gordon and Herbert J. Walberg, Eds. Kluwer Academic Press, 2003:119-136.

Leibowitz, Arleen, Joan L. Buchanan, and Joyce Mann. “A randomized trial to evaluate the effectiveness of a Medicaid HMO” *Journal of Health Economics*, Vol 11, 1992, 235-257.

MONDAY, FEBRUARY 28: MANAGED COMPETITION

Keeler, Emmett B., Glenn Melnick, Jack Zwanziger, “The changing effects of competition on non-profit and for-profit hospital pricing behavior,” *J. Health Economics* 18:69-86 (1999). www.elsevier.com/locate/econbase

Nichols, L.M. Ginsburg, P.B. Berenson, R.A., Christianson, J., Hurley, R.E.. “Are Market Forces Strong Enough to Deliver Efficient Health Care Systems?” *Health Affairs*. March/April 2004. 23(2):8-21.

“Managed Care Cost Pressures Threaten Access for the Uninsured”, Findings from Health System Change, March 1999.

WEDNESDAY, MARCH 2: PRESCRIPTION DRUGS

Light, Donald W. “Will Lower Drug Prices Jeopardize Drug Research? A Policy Fact Sheet” *InFocus*. Winter 2004. 4(1)

Gluck, Michael E. Federal Policies Affecting the Cost and Availability of New Pharmaceuticals. Kaiser Family Foundation. Available at www.kff.org/rxdrugs/3254-index.cfm.

Gluck, Michael E. Demand Effect of Recent Changes in Prescription Drug Promotion. Kaiser Family Foundation. Available at < www.kff.org/rxdrugs/6085-index.cfm>

Croghan, T.W., Pittman, P.M. “The Medicine Cabinet: What’s In It, Why, And Can We Change The Contents?” *Health Affairs*, January/February 2004. 23(1):23-33.

Frank, Richard. “Prescription Drug Prices: Why Do Some Pay More than Others Do?” *Health Affairs*. March/April 2001. W3-W6.

FINAL PAPERS

MONDAY, MARCH 7, WEDNESDAY, MARCH 9, MONDAY, MARCH 14, INTERNATIONAL HEALTH FINANCE: Revised papers are due Friday, March 18

Students will examine the health care finance system of an OECD country other than the U.S., identify the incentives provided by the system and analyze the results of those incentives on costs and on health. A CD with time series OECD data on health finance, utilization, and health will be made available. Since UCLA library subscribes to the OECD’s e-library, 45 interactive statistical databases dating from 1998 are also available online at *SourceOECD*. You can access them at <http://new.sourceoecd.org> or via the library's homepage. You won't need a password.

The WHO website, www.who.int/whosis may also be useful. The following papers provide background on a number of countries’ health care systems:

Reinhardt UE, Hussey PS, Anderson GF. “TRENDS: Cross-National Comparisons of Health Systems Using OECD Data, 1999.” *Health Affairs* (May/June 2002); 21(3):169-181.

Roemer, Milton, National Health Systems of the World, Oxford University Press, 1991-1993.

Health Affairs, May/June 2000, Volume 19, No. 3, contains recent analyses of health systems in Germany, Japan, Australia, New Zealand, Britain, and Canada.

Health Affairs, May/June 2001, Volume 20, No. 3, contains articles about pharmaceutical costs control in Canada and in Australia.

Health Affairs, May/June 2002, Volume 21, No. 3, contains articles on health systems in Canada, Mexico, Africa, New Zealand.

Health Affairs, May/June 2004, Volume 23, No. 3, contains articles on health systems in Japan, Great Britain, The Netherlands, and Germany.

WEDNESDAY, MARCH 16 – DESIGNING AN “IDEAL” HEALTH CARE SYSTEM

Pauly, Mark V., “Fairness and Feasibility in National Health Care Systems,” *Health Economics*, (1992) 3:93-103.

Wagstaff, A, et al. “Equity in the finance of health care: some further international comparisons,” *J. Health Economics* (1999) 18:263-290.
<http://www.elsevier.com/locate/econbase>