

## **Economics 499-003: Health Economics**

University of Kentucky

Fall Semester 2007

URL: <http://gatton.uky.edu/Faculty/yelowitz/499/fall2007.html>

### **Lectures**

Tuesday/Thursday, 2:00-3:15 pm, Business and Economics Building 209.

### **Relevant info on me**

Professor Aaron Yelowitz

Office: 335W Business and Economics Building

Office hours: Tuesday/Thursday 3:30-5 pm, and by appointment.

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My background: I am an associate professor in the economics department. This is my 7<sup>th</sup> year at UK. Before I joined UK, I was an assistant professor in the economics department at UCLA, from 1994 to 2001. I received my Ph.D. in economics from MIT in 1994, and my B.A. from UC Santa Barbara in 1990. My research interests have focused on low-income households – especially concerning the housing and health insurance decisions that these groups are faced with. I've also examined living wages and health insurance mandates more recently. In some parts of the course, particularly on the U.S. welfare and health care system, I will incorporate some of my previous research.

### **Enrolling in this class**

If you want to enroll in this class, there is a new online process for doing overrides. Go to <http://gatton.uky.edu/undergraduates/forms/all/override.aspx>. Due to the nature of ECO 499, class size is limited.

### **Course Description**

This course examines the organization, financing, and management of the U.S. health care system and programs, and emphasizes contemporary health policy concerns. By the end of the semester, students should have the institutional knowledge and analytic tools needed to think about current public policy debates about health and medical care. Specifically,

- Be familiar with basic facts about the U.S. health care system
- Be familiar with the major economic issues in health care policy
- Have experience using economic policy analysis to evaluate public policy issues in health care

### **Prerequisites**

ECO 391, ECO 401, and ECO 402 or equivalent. All prerequisites will be enforced, and the class is restricted to upper-division B&E Economics majors and A&S Economics majors.

### **Required textbooks**

Charles E. Phelps, *Health Economics*, 3<sup>rd</sup> edition (Addison Wesley, 2002, ISBN-10: 032106898X or ISBN-13: 978-0321068989).

There will also be assigned readings from academic papers, most of which are freely available from National Bureau of Economic Research ([www.nber.org](http://www.nber.org)) or JSTOR ([www.jstor.org](http://www.jstor.org)). Both NBER's web site and JSTOR's web site have downloadable papers *if accessed from computers in the B&E building*, and possibly elsewhere. For those who have difficulty, I will be happy to assist you if you come to my

office.

### **The Internet**

The web site will have links to lecture notes and other materials.

### **Preparing for Class**

We will generally follow the order of topics on the syllabus. The best way of preparing for the class is to read the textbook chapters ahead of time, as well as any supplemental materials. In terms of the academic studies, you should attempt to read through them ahead of time, but there is no expectation that all parts of the study will be completely understandable to you.

### **Grading**

1. The final is on Thursday, December 13, 2007, at 1 pm. It will count for 25% of your grade. It lasts 2 hours.

2. You will be given one midterm, in class, on Tuesday, October 16, 2007. It will count for 25% of your grade. It lasts 75 minutes.

- In June 2007, the Provost sent an email to all deans regarding changes to mid-term grades. He is requiring mid-term grades “for every undergraduate class regardless of whether it is taught by full-time or part-time faculty or by Teaching Assistants, effective fall 2007. Instructors should adjust their course syllabi accordingly.”

- Because of this, my goal is for you to gather a clear signal of where you stand in the course and what letter grade you can expect. I can’t send you an informative signal unless the midterm has real weight.

3. You will be assigned 3 homework assignments related to the supplemental readings. Each will count for 10% of your grade, or 30% total.

4. Class participation will count for 20% of your grade. Given the small class size and the intent of this class, it is vital for students to attend, prepare ahead of time, and participate. During the semester, there will also be opportunities to earn extra credit. These opportunities will only be announced during class.

### **University Holidays / Cancelled Classes**

According to the university calendar, there will be no class on November 22, 2007 for Thanksgiving.

## **Economics 499-003 Course Outline, Fall 2007**

### **I. Introduction and Background**

- A. Phelps, Chapters 1 & 2
  - Why Health Economics?
  - An Overview of How Markets Interrelate in Medical Care and Health Insurance
- B. Supplemental Readings
  - Empirical Methods for Health Economics

### **II. Medical Care and Health**

- A. Phelps, Chapters 3, 4, & 5
  - The Transformation of Medical Care to Health
  - The Demand For Medical Care: Conceptual Framework
  - Empirical Studies of Medical Care Demand and Applications
- B. Supplemental Readings
  - W. Manning, et al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *AER* 77 (June 1987), 251-277.  
Stable URL:  
<http://links.jstor.org/sici?sici=0002-8282%28198706%2977%3A3%3C251%3AHIATDF%3E2.0.CO%3B2-S>
  - Jonathan Gruber and James Poterba, "Tax Incentives and the Decision to Purchase Health Insurance: Evidence from the Self-Employed" *The Quarterly Journal of Economics*, Vol. 109, No. 3. (Aug., 1994), pp. 701-733.  
Stable URL:  
<http://links.jstor.org/sici?sici=0033-5533%28199408%29109%3A3%3C701%3ATIATDT%3E2.0.CO%3B2-5>

### **III. Physician Behavior, Malpractice and Defensive Medicine**

- A. Phelps, Chapters 6, 7, & 13
  - The Physician
  - Physicians in the Marketplace
  - Medical Malpractice
- B. Supplemental Readings
  - Daniel Kessler and Mark McClellan, "Do Doctors Practice Defensive Medicine?," *The Quarterly Journal of Economics*, Vol. 111, No. 2. (May, 1996), pp. 353-390.  
Stable URL:  
<http://links.jstor.org/sici?sici=0033-5533%28199605%29111%3A2%3C353%3ADDPDM%3E2.0.CO%3B2-0>
  - Jonathan Gruber and Maria Owings, "Physician Financial Incentives and Cesarean Section Delivery," *The RAND Journal of Economics*, Vol. 27, No. 1. (Spring, 1996), pp. 99-123.  
Stable URL:  
<http://links.jstor.org/sici?sici=0741-6261%28199621%2927%3A1%3C99%3APFIACS%3E2.0.CO%3B2-S>

### **IV. Health Insurance, Managed Care & Government Programs**

- A. Phelps, Chapters 10, 11, & 12
  - Health Insurance
  - Managed Care
  - Government Provision of Health Insurance

B. Supplemental Readings

- Aaron S. Yelowitz , “The Medicaid Notch, Labor Supply, and Welfare Participation: Evidence from Eligibility Expansions,” *The Quarterly Journal of Economics*, Vol. 110, No. 4. (Nov., 1995), pp. 909-939.

Stable URL:

<http://links.jstor.org/sici?sici=0033-5533%28199511%29110%3A4%3C909%3ATMNL%3E2.0.CO%3B2-7>

- Brigitte C. Madrian, “Employment-Based Health Insurance and Job Mobility: Is There Evidence of Job-Lock?” *The Quarterly Journal of Economics*, Vol. 109, No. 1. (Feb., 1994), pp. 27-54.

Stable URL:

<http://links.jstor.org/sici?sici=0033-5533%28199402%29109%3A1%3C27%3AEHIAJM%3E2.0.CO%3B2-F>

- David M. Cutler and Jonathan Gruber, “Does Public Insurance Crowd Out Private Insurance?” *The Quarterly Journal of Economics*, Vol. 111, No. 2. (May, 1996), pp. 391-430.

Stable URL:

<http://links.jstor.org/sici?sici=0033-5533%28199605%29111%3A2%3C391%3ADPICOP%3E2.0.CO%3B2-S>

- Jonathan Gruber and Brigitte C. Madrian, “Health-Insurance Availability and the Retirement Decision,” *The American Economic Review*, Vol. 85, No. 4. (Sep., 1995), pp. 938-948.

Stable URL:

<http://links.jstor.org/sici?sici=0002-8282%28199509%2985%3A4%3C938%3AHAATRD%3E2.0.CO%3B2-U>

**V. Externalities, Regulation & International Comparisons**

- A. Phelps, Chapters 14, 15, & 16
  - Externalities in Health and Medical Care
  - Managing the Market
  - Universal Insurance Issues and International Comparisons