

Contacts

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Course Description

This course is designed to illustrate how economists analyze the production of health and the delivery of health care services. Substantial attention is given to socio-economic determinants of health and to behavioral health economics. The course will emphasize the link between economic theory and health policy introducing students to topical issues such as the obesity epidemic, economic health disparities, the economics of risky behaviors, and the potential impact of US health care reform

Required textbook

There is no required textbook for this course. However, two very good undergraduate textbooks are:

- Health Economics, Jay Battacharya, Timothy Hyde, and Peter Tu, 1st Edition, Palgrave Macmillan, 2014.
- Health Economics, Frak A. Sloan and Chee-Ruey Hsieh, MIT Press

Further readings will be covered throughout the course. You are expected to read the key sections of these paper.

Requirements and Grading

The grades will be determined as weighted averages of exams, group activity and homeworks. There will be 4 problem sets, 1 midterm and a final

- Class participation: 10%
- Group activity: 10%
- Homeworks: 20%

- Midterm: 20%
- Final: 40%

Problem sets and practice exams will be posted on blackboard. In-class midterm will be on March 2 (just before Spring break). All exams are closed book and closed note exams. Questions will be similar to those given on the problem sets. The final exam will be administered during the final exam period. More details on the type of questions to expect will be given in advance of the exam.

Missed Assignments and Exams

If you miss an exam due to a proven emergency or other unusual circumstances (to be discussed with the instructor prior to an exam if possible), no make-up exam will be given but your grades will be reweighed.

Group activity

Goals

- Research a specific health policy issue
- Evaluate policy impacts
- Develop an argument
- Team work
- Presentation skills

Task:

- Prepare a policy brief on the topic
- Prepare a debate

Policy brief: No more than 4 pages (double spaced, 12 point font) highlighting the pros and cons of both sides of an issue Include references/sources with the policy brief.

Student can form groups amongst themselves. If you are not in a group by Jan 12, let me know and I will assign you to one. Groups should have no more than 6 members. Half of the members of the group should support motion A. The other half should argue against it. Each member of the group should prepare to talk for 3 minutes. After the initial part of the debate where each member exposed her/his argument, there will be a 5 minutes open discussion among the groups and another 5 minutes for questions from non participating students.

Topics to debate:

1. Would you allow individuals without medical degrees to offer health care services (Jan 26)
2. Does hospital competition increase quality? (February 21)
3. Do you believe government should grant universal health insurance coverage as inalienable right? (March 21)
4. To face the financial pressures of population ageing should we increase retirement age? Should retirement age vary by type of job? (March 28)?
5. Obesity rates have increased over time. What explanations are more plausible (April 6)
 - Increase in away-from home calorie consumption
 - Decrease in average physical activity associated with daily activities.
6. Are you in favor of zoning policies to encourage healthy eating? (April 11)
7. Are you in favor of taxing addictive goods? (April 13)

Outline

1. Demand for health and health care (*Bhattacharya Chapters 1-4, Sloan and Hsie Chapters 1-4*)
 - Demand for health care
 - The Grossman model
 - Socioeconomic disparities in health
2. Supply of health care (*Bhattacharya Chapters 5-6, Sloan and Hsie Chapters 5-10*)
 - The labor market for physicians
 - The hospital industry
3. Information economics (*Bhattacharya Chapters 7-11, Sloan and Hsie Chapters 4*)
 - Demand for insurance
 - Adverse selection (the Akerlof model)
 - Adverse selection (the Rothschild-Stiglitz model)
 - Adverse selection in real markets
 - Moral Hazard
4. Economics of health innovation (*Bhattacharya Chapters 12-14, Sloan and Hsie Chapter 99*)
 - Pharmaceuticals and the economics of innovation

- Technology and the price of health care
 - Health Technology Assessment
5. Health Policy (*Bhattacharya Chapters 15-19, Sloan and Hsie Chapters 11-13*)
- Health policies
 - Nationalized health care
 - Social Health Insurance
 - The American Health Care System
 - Population Aging and Health Policy
6. Public Health Economics (*Bhattacharya Chapters 20-22, Sloan and Hsie Chapters 11-13*)
- Health Externalities
 - Economic epidemiology
 - Economics of Obesity
7. Behavioral Health Economics (*Bhattacharya Chapters 23-24, Sloan and Hsie Chapters 2 and 17*)
- Prospect Theory
 - Time inconsistency and health

1 Detailed Outline and Further Readings

1. Introduction (Jan 5)
2. Demand for Health Care (Jan 10)
 - Becker, Gary, Tomas Philipson, and Rodrigo Soares, 2005, The quantity and quality of life and the evolution of world inequality, *American Economic Review* 95(1): 277-291.
3. The Grossman Model (Jan 12)
 - Grossman, M. 1972, On the concept of health capital and the demand for health, *Journal of Political Economy* 82: 233-255.
4. Socioeconomic Disparities in Health (Jan 24)
 - Cutler, David M., Adriana Lleras-Muney, and Tom Vogl. Socioeconomic status and health: dimensions and mechanisms. *Oxford Handbook of Health Economics*, 2010 http://www.princeton.edu/~tvogl/seshealth_clmv.pdf

5. Supply of Health Care (Jan 26)

- Landrigan, Christopher P., et al. "Interns' compliance with accreditation council for graduate medical education work-hour limits." *Jama* 296.9 (2006): 1063-1070.

6. The Hospital Industry (Jan 31)

- Gaynor, Martin, Carol Propper and Stephan Seiler. 2016. "Free to Choose? Reform, Choice, and Consideration Sets in the English National Health Service." *American Economic Review*, 106(11): 3521-57.

7. Demand for Insurance (Feb 2)

- Card, David, Carlos Dobkin, and Nicole Maestas, 2009, Does Medicare save lives? *Quarterly Journal of Economics* 124(2): 597-636

8. Adverse selection (the Akerlof Model) (Feb 4)

- Akerlof, George. "The market for lemons: Quality uncertainty and the market mechanism." *The quarterly journal of economics* 84.3 (1970): 488-500.

9. Adverse selection (the Rothschild-Stiglitz Model) (Feb 7)

- Rothschild, M. and F. Stiglitz. 1976. Equilibrium in competitive insurance markets: An essay on the economics of imperfect information, *Quarterly Journal of Economics* 90(4): 630-69

10. Adverse selection in real markets (Feb 9)

- Cawley, John, and Tomas Philipson. "An Empirical Examination of Information Barriers to Trade in Insurance." *American Economic Review* 89.4 (1999): 827-846.

11. Moral Hazard (Feb 14)

- Aron-Dine, Aviva, Liran Einav, and Amy Finkelstein. "The RAND health insurance experiment, three decades later." *The Journal of Economic Perspectives* 27.1 (2013): 197-222.

12. Pharmaceuticals and the economics of innovation (Feb 16)

- Lakdawalla, D. et al. U.S. Pharmaceutical Policy in a Global Marketplace, *Health Affairs*, 2009. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3804349/?report=reader>

13. Technology and the price of health care (Feb 21)

- Chandra, A. and Skinner, J. Technology Growth and Expenditure Growth in Health Care, NBER Working paper no. 16953, April 2011.

14. Health Technology Assessment (Feb 23)

- Kniesner, Thomas J., et al. "The value of a statistical life: Evidence from panel data." *Review of Economics and Statistics* 94.1 (2012): 74-87.

15. Health policy (March 14)

- Santos, Rita, Hugh Gravelle, and Carol Propper. "Does Quality Affect Patients Choice of Doctor? Evidence from England." *The Economic Journal* (2016).

16. Nationalized Health Care and Social Health Insurance(March 16)

- Mauro Laudicella, Luigi Siciliani and Richard Cookson, 2012, Waiting times and socioeconomic status: evidence from England, *Social Science and Medicine*, 74(9), 1331-1341.

17. The American Health Care System (March 21)

- Gruber, Jonathan. "Covering the uninsured in the United States." *Journal of Economic Literature* 46.3 (2008): 571-606.

18. The Affordable Care Act (March 23)

- Cutler, David M. "The Simple Economics of Health Reform." *The Economists' Voice* 7.5 (2010).

19. Population Aging and Health Policy (March 28)

- Zhang, Baohui, et al. "Health care costs in the last week of life: associations with end-of-life conversations." *Archives of internal medicine* 169.5 (2009): 480-488.

20. Health externalities (March 30)

- Lacetera, Nicola, Mario Macis, and Robert Slonim. "Economic rewards to motivate blood donations." *Science* 340.6135 (2013): 927-928.

21. Economic epidemiology (April 4)

- Pichler, Stefan, and Nicolas R. Ziebarth. *The Pros and Cons of Sick Pay Schemes: Testing for Contagious Presenteeism and Noncontagious Absenteeism Behavior*. No. w22530. National Bureau of Economic Research, 2016.

22. Economics of obesity (April 6)

- Cawley, John. "The Economics of Obesity." *NBER Reporter* 2013.4 (2013): 7. [Thehttp://www.human.cornell.edu/pam/people/upload/Cawley-profile-NBER-Reporter-2013-no4.pdf](http://www.human.cornell.edu/pam/people/upload/Cawley-profile-NBER-Reporter-2013-no4.pdf)

23. Prospect theory (April 11)

- Volpp, Kevin G., et al. "Financial incentivebased approaches for weight loss: a randomized trial." *Jama* 300.22 (2008): 2631-2637

24. Time inconsistency and health (April 13)

- Courtemanche, Charles, Garth Heutel, and Patrick McAlvanah. "Impatience, incentives and obesity." *The Economic Journal* 125.582 (2015): 1-31

25. Time Use and Health (April 18)

- Hafner, Marco, et al. "Why sleep mattersthe economic costs of insufficient sleep." (2016)

More On the Affordable Care Act (Obamacare)

- Kaiser Family Foundation: Summary of the Affordable Care Act
- Cutler, D. The Simple Economics of Health Reform, *The Economists Voice*, December 2010.
- Glied, S. How Will the Affordable Care Act Impact the Use of Health Care Services? *The Commonwealth Fund*, 2015.
- Gruber, Jonathan. "Covering the uninsured in the United States." *Journal of Economic Literature* 46.3 (2008): 571-606.
- Gruber, J. *Health Care Reform: What It Is, Why It's Necessary, How It Works*. 2012.
- Kleinke, J.D. The Conservative Case for Obamacare, *New York Times*, September 2012. <http://www.nytimes.com/2012/09/30/opinion/sunday/why-obamacare-is-a-conservatives-dream.html?pagewanted=all>
- "After Obama, Some Health Reforms May Prove Lasting". *New York Times*, Jan 2, 2017. http://www.nytimes.com/2017/01/02/us/politics/obama-health-care-affordable-care-act.html?_r=0

Health Economics and Policy Resources

- The Incidental Economist: <http://theincidentaleconomist.com/>
- The Morning Consult: <http://themorningconsult.com/>
- Kaiser Family Foundation: <http://kff.org/>
- The King's Fund: www.kingsfund.org.uk

Tentative Schedule

Lecture	Day	Date	Month	Topic	Problem set
1	Thursday	5	January	Introduction	
2	Tuesday	10	January	Demand for Health Care	
3	Thursday	12	January	Grossman Model	
X	Tuesday	17	January	CANCELLED - make up as extra review before midterm	
X	Thursday	19	January	CANCELLED - make up as extra review before final	
4	Tuesday	24	January	Socioeconomic Disparities in Health	PS1 posted
5	Thursday	26	January	Supply of health care	
6	Tuesday	31	January	Hospital Industry	PS1 due
7	Thursday	2	February	Demand for Insurance	
8	Tuesday	7	February	Adverse selection (Akerlof model)	PS2 posted
9	Thursday	9	February	Adverse selection (Rothschild-Stiglitz model)	
10	Tuesday	14	February	Adverse selection in real markets	PS2 due
11	Thursday	16	February	Moral Hazard	
Make up Monday 9.45am-11am	20	February		Make up - Midterm review	
12	Tuesday	21	February	Pharmaceuticals and the economics of innovation	
13	Thursday	23	February	Technology and the price of health care	
		TBD		Make up - Midterm review (review)	
14	Tuesday	28	February	Health Technology Assessment	
15	Thursday	2	March	Midterm	
16	Tuesday	14	March	Health Policy	PS3 posted
17	Thursday	16	March	Nationalized Health Care and Social Health Insurance	
18	Tuesday	21	March	The American Health Care System	
19	Thursday	23	March	Affordable Care Act	
20	Tuesday	28	March	Population Aging and Health Policy	PS3 due
21	Thursday	30	March	Health Externalities	
22	Tuesday	4	April	Economic Epidemiology	PS4 posted
23	Thursday	6	April	The Economics of Obesity	
24	Tuesday	11	April	Prospect t Theory	
25	Thursday	13	April	Time Inconsistency and Health	
Make up Monday 9.45am-11am	17	April		Make up -Final review	
26	Tuesday	18	April	Time use and Health	PS4 due
27	Thursday	20	April	Final Review	
FINAL EXAM	TUESDAY	25	April	FINAL EXAM	12:00 PM – 1:50 PM

Academic Integrity

Cheating/plagiarism will not be tolerated. Students suspected of violating the University of Pittsburgh Policy on Academic Integrity, from the February 1974 Senate Committee on Tenure and Academic Freedom reported to the Senate Council, will be required to participate in the outlined procedural process as initiated by the instructor. A minimum sanction of a zero score for the quiz or exam will be imposed.

Disability Resource

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and the Office of Disability Resources and Services, 140 William Pitt Union, 412-648-7890/412-624-3346 (Fax), as early as possible in the term. Disability Resources and Services will verify your disability and determine reasonable accommodations for this course. For more information, visit www.studentaffairs.pitt.edu/drsabout.