HCMT 502 – Health Care Economics, Fall 2014
Friday 5:30 – 8:30 PM, Corboy Law Center Room 521

Associate Professor Tim Classen
Email: tclass1@luc.edu
Office: Maguire Hall, Room 548
Phone: (312) 915 – 6184

Office Hours: Tues 11:45 am - 12:45 pm
Wed 3 – 5 pm
Thurs 11:45 am -12:45 pm, 4 – 5 pm
and by appointment

Course Overview
This course provides an understanding of the unique economic complexities of the health care industry, with a focus on consumer demand for health and the supply of health care services. Relying on economic principles learned in Managerial Economics, we will consider issues of the scarcity of resources in the supply of health care, efficiency in the production and allocation of health care, and market behavior of the firms and consumers in this fascinating industry. Issues such as the demand for health care and insurance, the role of government in shaping health care policy, provider behavior and hospital competition are explored. Topics of special interest are the tradeoffs between the quality and quantity of health care, health care costs and financing, and social welfare outcomes. Students will gain valuable insights into the economic, ethical and policy issues associated with this rapidly changing industry.

Course Objectives and Learning Outcomes
Students will be able to:

- Understand trends in health care financing, reimbursement and insurance arrangements
- Analyze changes in the form of health insurance contracts and key demand drivers
- Perform Cost-Benefit and Cost-Effectiveness Analysis of health care treatments
- Evaluate public policies related to reimbursement and insurance coverage
- Develop insights into objectives for non-profit hospitals and provider competition
- Assess effects of regulation in pharmaceutical markets on innovation and profitability
- Gain an understanding of the economic analysis of health behaviors

Required Materials
Other readings: Articles on syllabus will be available via Sakai. Other articles and links to blog posts will be sent via email during quarter.
Course Requirements and Grading Criteria

There will be a group project (25 minute oral presentation and 12 – 15 page paper) and a final exam that serve as the primary basis for your grade in this course. There will also be weekly (or bi-weekly) discussion questions from the readings. Relative weights of these components are:

- **Group project presentation and paper: 40%**
  - *Note:* Each member will let me know their contribution to the project
  - *Topics* should be decided by the end of week 2 class on September 6
  - *Presentations* on Week 8 – October 17
  - *Papers* due Week 9 – October 24

- **Final Exam (Take Home Discussion Questions, In Class Multiple Choice): 30%**
  - Due by class time on Week 10 – October 31

- **Weekly written discussion questions: 20%**
  - 4 – 5 sets of questions over readings. Can email prior to class or hard copy in class.

- **Course attendance and participation: 10%**

Your group paper and final exam will be submitted via Turnitin which will provide instant feedback on any possible issues of plagiarism. I require adherence to Loyola’s Statement on Academic Integrity for all of your work in this course.

Classroom Expectations

- Turn off cell phone ringers and iNoises
- Laptops and iPads should only be used for taking notes during class
- **MOST IMPORTANT:** Ask questions when you’re confused about something. Some of your classmates almost certainly are confused as well if you’re lost during the class. If I am moving through the material too rapidly, please let me know and I will slow down.
Course Schedule (Tentative – Subject to change based on amount of class discussion)

Week 1 (August 22) – Chapters 1 & 2 of Feldstein

- Introduction to Health Economics
- Trends in Health Care Use, Spending and Funding
- Normative and Positive Claims in Health Care Discussions
- Model of Health Care Demand and Health Production Function

READING: Portions of Kenneth Arrow’s “Uncertainty and the Welfare Economics of Medical Care,” American Economic Review 1963; vol. 53, no. 5, selected pages from 941-973

Week 2 (September 5) – Chapters 3, 5 & 6 of Feldstein

- Demand for Medical Care
- Health Production Functions
- Price Elasticities for Health Care Services
- RAND Health Insurance Experiment
- Demand for Health Insurance

Week 3 (September 12) – Chapters 7, 19 & 20 of Feldstein

- Consumer Risk Preferences
- Risk Spreading and the Supply of Health Insurance
- Adverse Selection and Moral Hazard
- Employer Sponsored Health Insurance


Week 4 (September 19) – Chapters 8, 9 & 10 of Feldstein

- Forms of Health Insurance Supply
- Managed & Accountable Care Organizations
- Medicare & Medicaid
- Reforms to Expand Insurance Coverage

Week 5 (September 26) – Chapter 21 of Feldstein

- Wrap up Insurance Discussion
- Cost-Benefit Analysis
- Using Cost-Effectiveness Analysis for Decision-Making


Outline of ideas for group project due in class
Week 6 (October 3) – **Chapters 4, 11, 12, & 23 in Feldstein**

- The Role of Physicians
- Physician Agency and Induced Demand
- Licensing, Supply and Returns to Education for Physicians
- Organization and Competition among Physicians
- Projected Shortages in Nursing

Week 7 (October 10) – **Chapters 14 – 16 in Feldstein**

- The Role of Hospitals
- Hospital Financing and Organization
- Competition and Quality among Hospital Types
- Quality Improvement Efforts
- Medical Malpractice

Week 8 (October 17) – **Catch Up & Group Presentations**

Week 9 (October 24) – **Chapters 25, 26 & 28 in Feldstein**

- Pharmaceuticals
- Government Regulation
- Patents, Innovation, and Technological Change
- Projections for Future of Health Care Industry

**Group Papers** due in class on Friday, October 24

Week 10 (October 31) – **International Comparisons; Economics of Health Behaviors**

- In Class portion of Final Exam (30 minute multiple choice)
- International Comparisons of Health Care Spending (2015 HCMT Visit Countries)
- Economics of Health Behaviors

**Take-home Final Exam** due in class on Friday, October 31
**Quinlan School of Business Policies:**

**Attendance**

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. The student is responsible for any assignments or requirements missed during an absence. Please let me know if you will not be attending class as soon as you are aware of such an absence. PowerPoint slides presented during class will be available via Sakai. Answers to your discussion question assignments must be submitted via email prior to the scheduled class in the case of your absence. Late assignments will not be accepted.

**Make-Up Examinations**

The final exam is due by the time of the last class meeting on Friday, November 1. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician’s note, participation in, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

**Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood. Plagiarism or cheating on the part of the student in individual or group academic work or on exams will result minimally in the instructor assigning the grade of “F” for the assignment or examination.

Plagiarism is a serious violation of this standard. **Plagiarism is the appropriation for gain of ideas, language, or work of another without sufficient acknowledgement and appropriate citation that the material is not one's own.** Plagiarism involves the deliberate taking and use of specific words and ideas of others without proper acknowledgement of the sources. The following acts are regarded as serious violations of personal honesty and the academic ideal that binds the university into a learning community. Submitting as one's own:

1. Material copied from a published source: print, internet, CD-ROM, audio, video, etc.
2. Another person's unpublished work or examination material.
3. Allowing another or paying another to write or research a paper for one's own benefit.
4. Purchasing, acquiring, and using for course credit a pre-written paper.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website: