



**QUINLAN**  
SCHOOL of BUSINESS

**ECON 329 – Health Economics, Spring 2018**  
**Mon/Wed/Fri 9:20 – 10:10, Schreiber Center Room 405**

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Office Hours: Mon/Fri 11:30 – 12:30 pm  
Thurs 2 - 4 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 introductory microeconomics, 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, physician 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 insights into the economic, ethical and social issues associated with this rapidly changing industry.

**Course Objectives and Learning Outcomes**

Students will be able to:

- Model how consumers make decisions over choices related to health and health care
- 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
- Contrast features of U.S. health care system with systems in other countries
- Gain an understanding of the economic analysis of health behaviors

**Required Materials**

**Textbook:** *Health Policy Issues: An Economic Perspective*, 6<sup>th</sup> Edition, by Paul Feldstein

**Other readings:** Articles on syllabus will be available via Blackboard.

Other articles and links to blog posts will be sent via email.

### **Course Requirements and Grading Criteria**

There will be a group project on the **health care system of a foreign country** (consisting of a 15-20 minute oral presentation and 12-15 page paper) along with midterm and final exams that will serve as the primary basis for your grade in this course. There will also be several sets of discussion questions from the readings over the course of the semester. There will be no make-up exams. If you are unable to take the exams on their scheduled dates, you will need to arrange to take the exam *prior* to its scheduled time. The relative weights of these components are:

- Group presentation and paper: 20%
- Midterm exam: 25% (*Wednesday, February 28*)
- Final Exam: 35% (*Saturday, May 5*)
- Problem sets and discussion questions: 15%
- Course attendance and participation: 5%

I require adherence to Loyola's Statement on Academic Integrity (which may be found on the last page of this syllabus) for all of your work in this course.

### **Classroom Expectations**

- Turn off cell phones and keep them in your pocket or bag. *No texting!*
- Laptops may *NOT* be used during class.
- Use of electronic devices can be distracting to your classmates (and me) so please do not use them during class.
- If you're eating something, please select quiet foods.
- 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.
- Adherence to Loyola's Statement on Academic Integrity is mandatory. Plagiarism or copying on exams will result in a failing grade for the class.

**Course Schedule** (*Tentative – Subject to change based on amount of class discussion*)

*Weeks 1 & 2 (January 17 – 24, 4 classes) – Chapters 1 & 2 of Feldstein*

- Review Ideas of Health Economics
- Trends in Health Care Use, Spending and Funding
- 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

*Weeks 3 & 4 (January 26 – February 5, 5 classes) – Chapters 3 & 5 of Feldstein*

- Demand for Medical Care
- Health Production Functions
- Price Elasticities for Health Care Services
- RAND Health Insurance Experiment and Oregon Medicaid Study

*Week 5 (February 7 – 16, 5 classes) – Chapters 6, 7, 19 & 33 of Feldstein*

- Demand for Health Insurance
- Consumer Risk Preferences
- Risk Spreading and the Supply of Health Insurance
- Adverse Selection and Moral Hazard
- Employer Sponsored Health Insurance
- Managed Care Organizations

**READING:** Glied, Sherry, "Health Insurance and Market Failure Since Arrow," *Journal of Health Politics, Policy and Law*, 26 (2001): 957-965.

*Week 6 & 7 (February 19 – 26, 4 classes) – Chapters 8, 9, 10 & 30 of Feldstein*

- Medicare & Medicaid (*finish after Spring Break*)
- ACA Reforms to Expand Insurance Coverage

***Wednesday, February 28 – Midterm Exam***

*Week 7 (March 2, 1 class)*

- Economic Analysis of Health Behaviors (Obesity, Addiction, etc)

***March 5 - 9, No classes, Spring Break***

*Week 8 (March 12 – 14, 2 classes) – Wrap up Medicaid/ACA*

*Weeks 8 & 9 (March 16 – 21, 3 classes) - Chapter 21 of Feldstein*

- Cost-Benefit Analysis
- Using Cost-Effectiveness Analysis and QALYs for Decision-Making

**READING:** Cutler, D. and M. McClellan, “Is Technological Change In Medicine Worth It?” *Health Affairs*, Sept/Oct 2001, pp. 11-29

*Weeks 9 -11 (March 23 – April 4, 4 classes) – Chapters 4, 11, 12, & 23 in Feldstein*

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

**READING:** Blumenthal, D., “New Steam from an Old Cauldron - The Physician-Supply Debate,” *New England Journal of Medicine*, April 22, 2004, pp. 1780-1787

*March 30 & April 2, No classes, Easter Break*

*Weeks 11 – 13 (April 6 – 16, 5 classes) – Chapters 14 – 16 in Feldstein*

- Hospital Financing and Organization
- Competition and Quality among Hospital Types
- Quality Improvement Efforts
- Medical Malpractice

*Week 13 (April 18 – 20, 2 classes) – Chapters 25 & 28 in Feldstein*

- Pharmaceuticals
- Government Regulation
- Patents, Innovation, and Technological Change

*Week 14 (April 23 – 27) – Group Presentations*

*Group Papers* due in class on Friday, April 27

*Final Exam*, Saturday, May 5, 1:00 – 3:00

**Please note:** This class may occasionally deviate from the course outline above. The instructor reserves the right to make changes as needed to the course syllabus.

## **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.

### **Examination Policy**

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

### **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 in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

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:

<http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

## *Loyola's Statement on Academic Integrity*

[http://www.luc.edu/academics/catalog/undergrad/reg\\_academicintegrity.shtml](http://www.luc.edu/academics/catalog/undergrad/reg_academicintegrity.shtml)

The basic commitment of a university is to search for and to communicate the truth as it is honestly perceived. The university could not accomplish its purpose in the absence of this demanding standard. To the extent that this standard is respected, a genuine learning community can exist. Students of this university are called upon to know, to respect, and to practice this standard of personal honesty.

Plagiarism is a serious form of violation of this standard. **Plagiarism is the appropriation for gain of ideas, language, or work of another without sufficient public acknowledgement and appropriate citation that the material is not one's own.** It is true that every thought probably has been influenced to some degree by the thoughts and actions of others. Such influences can be thought of as affecting the ways we see things and express all thoughts. Plagiarism, however, involves the deliberate taking and use of specific words and ideas of others without proper acknowledgement of the sources.

The faculty and administration of Loyola University Chicago wish to make it clear that 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.

The critical issue is to give proper recognition to other sources. To do so is both an act of personal, professional courtesy and of intellectual honesty.

Plagiarism on the part of a student in academic work or dishonest examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved. The chairperson may constitute a hearing board to consider the imposition of sanctions in addition to those imposed by the instructor, including a recommendation of expulsion, depending upon the seriousness of the misconduct.

Academic cheating is another serious act that violates academic integrity. Obtaining, distributing, or communicating examination materials prior to the scheduled examination without the consent of the teacher; **providing information to or obtaining information from another student during the examination;** attempting to change answers after the examination has been submitted; and falsifying medical or other documents to petition for excused absences all are violations of the integrity and honesty standards of the examination process.

In the case of multiple instances of academic dishonesty across departments, the academic dean of the student's college may convene a hearing board. Students retain the right to appeal the decision of the hearing board to the academic dean of the college in which they are registered. The decision of the dean is final in all cases except expulsion. The sanction of expulsion for academic dishonesty may be imposed only by the Provost upon recommendation of the dean.