

EC387: Introduction to Health Economics

Boston University
Department of Economics
Spring 2014

Instructor

First half (until Spring break)

Sara Machado

Office: B23, 264 Bay State Road

Email: sararm@bu.edu

Office hours: Tue, Thu 9:00-10:30am

Lecture: Tue, Thu 12:30-2:00pm, KCB 106

Second half (after Spring break)

Bjorn Persson

Office: 416B, 270 Bay State Road

Email: bpersson@bu.edu

Office hours: TBA

Lecture: Tue, Thu 12:30-2:00pm, KCB 106

Teaching Assistant

Henry Lin

Office: Economics B17C

Email: henlin@bu.edu

Office hours: Mon 3:45-5:15pm

Course description

This is an introductory course in health economics. Students will learn how to apply economic analysis of health markets. The class will cover such topics as moral hazard and adverse selection in the insurance market, physician-patient interaction, managed care, and regulation and payment systems for providers.

Course website:

Blackboard Learn site ID: 14sprgcasec387_a1

Announcements will be made through the course website. Please check it periodically.

Prerequisites

EC101 (or EC111) and EC201 or equivalent

You must have fulfilled the prerequisites before attending classes, not concurrently.

Textbook

Folland, Goodman and Stano (2012) “The Economics of Health and Health Care” (7th Edition),” Pearson. This book is available at Barnes & Noble at Boston University. Each student should have access to a copy of the textbook.

Attendance of lectures is expected. Further readings and web links will be posted on the course website during the course and are also required reading.

Grading and Exam policies

The final grade will be determined based on problem sets (30% of final grade), a midterm (35% of final grade) and a final exam (35% of final grade). Problem sets and their due dates will be provided on the course website. The midterm exam will be held on during regular class time, on March 6, 2014. The final exam will be held at the regularly scheduled time shown below. This date and time cannot be change. While it is possible to work together in solving homework assignments, each student has to hand in his version of the Problem Set. Please turn them in on time. There will not be any makeup test. Unless you have a documented health problem or family emergency, if you fail to take a test, your score for the missed test will be zero.

-Exams:

The final exam will be held on Wednesday, May 7, 12:30-2:30. You should periodically check the exam schedule on the Student Link: http://www.bu.edu/link/bin/uiscgi_studentlink.pl for any variations and location changes.

If you have questions on grading (both problem sets and exams), you must contact the TA within a week after you receive your homework or exams.

Academic conduct

Students should know and understand the CAS Academic Conduct Code. Copies of the CAS Academic Conduct Code are available in room CAS 105 and on the website <http://www.bu.edu/cas/academics/programs/conductcode.html>. Any suspected academic misconduct will be reported to the Dean’s Office.

Course outline

All chapters below refer to those in Folland, Goodman and Stano (FGS), seventh edition. Although this outline gives a timetable for topics, some deviations from the actual schedule may be necessary as the class progresses. Students are responsible for attending classes and learning of any changes in the schedule.

Week 1

Introduction to health economics

FGS chapter 1, chapter 4 pp. 73 -76

Week 2

The production of health

FGS chapter 5

Week 3

The production, cost and technology of health care

FGS chapter 6

Week 4-5

Demand and supply for health and insurance

FGS chapters 7, 8, 9 and Kenneth J. Arrow: "Uncertainty and the Welfare Economics of Medical Care", American Economic Review, Vol 53 No 5, 1963, pp. 941-973

Week 6

Asymmetric information, agency, and physician agency

FGS chapters 10, 15 and George A. Akerlof: "The Market for Lemons", Quarterly Journal of Economics, Vol 84 No 3, 1970, pp. 488 - 500

Week 7

Insurance markets and employment-based insurance

FGS chapter 11

Week 8

Midterm

Week 9

Managed care and HMOs

FGS chapter 12

Week 10

Nonprofit organizations, hospitals and long-term care

FGS chapters 13 and 14

Week 11

Pharmaceuticals

FGS chapter 17

Week 12-13

Government intervention and regulation

FGS chapters 18, 19 and 20

Week 14-15

Social insurance and the Health Care Reform

FGS chapter 21 and 23