Basic Information
1 Objectives, Content, and Methods

The course provides an overview of the economics of health and of health care with special attention to the roles of market failure, equity, and policy. Economics of Health will apply the tools of economics and quantitative analysis to understanding the structure, performance, and problems of health and the health care sector. Students will develop institutional knowledge and analytic tools needed to contribute to public policy debates about health and health care.

Topics include the definition and determinants of health; health, socioeconomic status, and inequality; demand for health care; health care provision; technology and pharmaceuticals; private and public insurance; health and the labor market. Although the focus is on the United States, we will compare health and health care across the developed economies and briefly consider health in less developed countries.

The prerequisite for taking Economics of Health is successful completion of Introductory Microeconomics (Economics 103 at UMass or an equivalent course). Some familiarity with quantitative methods (for example, how to interpret the mean and standard deviation, contingency tables, and scatterplots) will be useful as well.

2 Requirements and Grading

This course demands a lot of reading and writing, and you must keep up to date with assignments. Please complete readings by the due dates indicated in the schedule so that you can participate in discussion and benefit more from lecture.

You are required to attend and to participate in class discussion. After two unexcused absences, each subsequent unexcused absence will cost three percentage points from the final grade. Valid excuses include medical necessity (with a note from a care provider) or arrangements made in advance with me.

2.1 Grading

You will earn a grade based on class presentations, your writing, and a final exam. A breakdown of the grade follows.
<table>
<thead>
<tr>
<th>Course Component</th>
<th>Points</th>
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<tr>
<td>Participation</td>
<td>15</td>
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<tr>
<td>Quizzes</td>
<td>25</td>
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<tr>
<td>Written Work/Problem Sets</td>
<td>35</td>
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<tr>
<td>Midterm</td>
<td>25</td>
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<tr>
<td>Total</td>
<td>100</td>
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Grades will be assigned according to the following schedule. Please note that your grade depends on a fixed standard of comprehension and expression and not on comparisons to other students. Therefore, you should feel comfortable discussing and sharing your notes, ideas, and writing with your fellow students.

<table>
<thead>
<tr>
<th>Cut-off</th>
<th>93</th>
<th>90</th>
<th>87</th>
<th>83</th>
<th>80</th>
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<tbody>
<tr>
<td>Grade</td>
<td>A</td>
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<td>B+</td>
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<td>C+</td>
<td>C</td>
<td>C–</td>
<td>D</td>
<td>F</td>
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2.2 Readings and Web Resources

The three required books for the course are *Uninsured in America* by Sered and Fernandopulle and *Unequal Health* and *Our Unsystematic Health Care System* both by Budrys. You can buy the Budrys books at the Amherst Bookstore, 8 Main Street, Amherst. *Uninsured in America* is available on reserve and as an electronic book from DuBois Library. The books are small and relatively cheap. Please buy the books and bring the current readings with you to class for every class meeting.

All other readings for the course will be linked from the course web site or given as handouts in class. **You must take responsibility for downloading and reading the material.**

I will ask you to examine web pages, for example, to retrieve data on health care expenditure from the Center for Medicare and Medicaid Services or to read an article by the Economic Policy Institute about workers without health insurance. Please let me know as soon as possible if you would like a brief lesson on the use of a web browser for research and retrieval.

3 Course Themes and Links to Readings

3.1 Uninsured and Underinsured in America

These readings should be complete by Friday, January 29.

- Film viewing: *Sicko*
- Read: *Uninsured in America*
  - 1: From Working Class to Working Poor: The Death of Industry in America’s Heartland
  - 2: Medicaid, Welfare Reform, and Low-Wage Work in the New Economy
3.2 Insurance, Crisis, and Reform

3.2.1 Risk and Insurance

These readings should be complete by Wednesday, February 3.


3.2.2 Insurance market failure: Adverse Selection

These readings should be complete by Wednesday, February 10.

- Medicare from 1965 to 2003: Medicare Crisis or Health Care Crisis?
  - Neuman, et al., “Marketing HMOs To Medicare Beneficiaries,” Health Affairs, 17(4), 1998

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1 http://www.hschange.org/CONTENT/411/
2 http://content.nejm.org/cgi/content/full/355/1/82
3 http://www.jstor.org/stable/1879431
4 http://www.newyorker.com/archive/2005/08/29/050829fa_fact
5 http://www.medicare.gov/Publications/Pubs/pdf/10050.pdf
6 http://content.healthaffairs.org/cgi/content/abstract/17/4/132
3.2.3 Individual Mandates in Massachusetts and Beyond

These readings should be complete by Friday, February 12.

- Massachusetts Health Connector\textsuperscript{7}
- Report to the Massachusetts Legislature, Implementation of the Health Care Reform Law, Chapter 58, 2006-2008
- Massachusetts Health Care Reform 2009 Progress Report\textsuperscript{8}
- Marcia Angell, Health Reform You Shouldn’t Believe In, American Prospect, April 21, 2008\textsuperscript{9}
- Boston Globe, graphic on MHR covering the uninsured
- John Holahan and Linda Blumberg, Massachusetts Health Reform: Solving the Long-Run Cost Problem, Urban Institute, January 2009\textsuperscript{10}
- Linda J. Blumberg and John Holahan, Do Individual Mandates Matter? Urban Institute, January 2008\textsuperscript{11}
- Linda J. Blumberg, Ph.D., and John Holahan, Ph.D., The Individual Mandate - An Affordable and Fair Approach to Achieving Universal Coverage, New England Journal of Medicine, June 17th, 2009\textsuperscript{12}

3.3 Demand for Medical Care or Moral Hazard

These readings should be complete by Friday, February 19. Theory and Measurement of Demand for Medical Care


3.4 Health Care Finance and the Cost of Health Care

These readings should be complete by Friday, March 5.

\textsuperscript{7}https://www.mahealthconnector.org
\textsuperscript{8}https://www.mahealthconnector.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/1
\textsuperscript{9}http://www.prospect.org/cs/articles?article=health_reform_you_shouldnt_believe_in
\textsuperscript{10}http://www.urban.org/url.cfm?ID=411603
\textsuperscript{11}http://www.urban.org/url.cfm?ID=411820
\textsuperscript{12}http://healthcarereform.nejm.org/?p=391
\textsuperscript{13}http://www.jstor.org/stable/1804094
\textsuperscript{14}http://www.jstor.org/stable/1827781
\textsuperscript{15}http://www.jstor.org/stable/1812044


• “Health Care and the Budget: Issues and Challenges for Reform,” CBO Director Peter R. Orszag before the Committee on the Budget United States Senate, June 21, 2007

• The Medical Malpractice Myth (Ezra Klein, *Slate* 2006)


### 3.5 What is to be done?

These readings should be complete by Friday, March 12.


• Summary of the Fuchs-Emanuel Plan, A Comprehensive Cure: Universal Health Care Vouchers

### 3.6 Midterm exam on Friday, March 12

### 3.7 Health, Sickness, and Death

These readings should be complete by Friday, March 26. Modelling; policy analysis; welfare analysis; equity and efficiency Measuring Good Health, Bad Health, and Death The importance of data

• Unequal Health, Chapter 1: Introduction

• Unequal Health, Chapter 2: The Tools: Definitions, Measures, and Data Sources

• Unequal Health, Chapter 3: The Causes of Death


• Unequal Health, Chapter 4: Age and Sex

• Unequal Health, Chapter 5: Race and Poverty

• Health Status, Health Insurance, and Health Services Utilization: 2001, U.S. Census Bureau, February 2006

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16 [delew_laymans_guide.pdf](http://www.jstor.org/stable/2873800)
20 [http://www.nybooks.com/articles/18802](http://www.nybooks.com/articles/18802)
23 [status_insurance_utilization_census.pdf](http://www.jstor.org/stable/30033668)
• Film: The Angry Heart: the impact of racism on heart disease
• Unequal Health, Chapter 6: Lifestyle and Health Behavior

3.7.1 Medical Care, Genetics, and Other Challenges for Health

These readings should be complete by Wednesday, March 31. **How important is medical care?**

The implications of genetic screening

• Unequal Health, Chapter 7: Medical Care
• Unequal Health, Chapter 8: Genes

3.7.2 Social Organization and Health

These readings should be complete by Friday, April 2.

• Unequal Health, Chapter 9: Stress
• Gump and Matthews, “Are Vacations Good for Your Health?,” Psychosomatic Medicine 62:608-612, 200025
• Blanchflower and Oswald, “Hypertension and Happiness across Nations” Journal of Health Economics, forthcoming.26
• Banks, et al., “Disease and Disadvantage in the United States and England,” *JAMA* 295(17), May 200627
• Unequal Health, Chapter 10: Social Inequality
• Unequal Health, Chapter 11: Population Health
• Unequal Health, Chapter 12: Policy

3.8 Institutions of Health Care

3.8.1 Economic and Sociological Perspectives on Social Institutions

These readings should be complete by Monday, April 5.

• Unsystematic, Chapter 1: Introduction to the Health Care System as a Social Institution
• Unsystematic, Chapter 2: Two Sociological Perspectives of the Health Care System
• Unsystematic, Chapter 3: What Do We Think of the U.S. Health Care System?

24http://jama.ama-assn.org/cgi/content/abstract/291/10/1238
25vacations_health.pdf
26europe_hypertension.pdf
27JAMA-US-UK.pdf
3.8.2 Hospitals

These readings should be complete by Friday, April 9.

- Unsystematic, Chapter 4: Hospitals and Other Health Care Organizations

3.8.3 Physicians

These readings should be complete by Friday, April 16.

- The Checklist: If something so simple can transform intensive care, what else can it do? Atul Gawande *The New Yorker*, December 10, 2007.\(^{30}\)

3.8.4 Carework: nurses and other care professions

These readings should be complete by Friday, April 23.

- Unsystematic, Chapter 5: The Division of Labor in the Health Care Delivery System
- *NY Times* (18 Feb 2002) “9 of 10 Nursing Homes Lack Adequate Staff”\(^{31}\)
- “Global Poaching,” Econ-Atrocity Bulletin, Center for Popular Economics\(^{32}\)
- Film: Hott and Geary, *Sentimental Women Need Not Apply*, Florentine Films.
- Lovell, *Solving the Nursing Shortage through Higher Wages*, IWPR 2007\(^{33}\)
- Ash and Seago, “The Effect of Registered Nurses’ Unions on Heart Attack Mortality,” *Industrial and Labor Relations Review*, 2004.\(^{34}\)
- Unsystematic, Chapter 6: Alternative Medicine

3.8.5 Pharmaceuticals

These readings should be complete by Friday, April 30.

- *How a chemical entity becomes a medicine*
- *Pharmaceutical profits*

• John Le Carr, “In Place of Nations,” Reprinted from The Nation\textsuperscript{36}.
• Dean Baker, “Origins of the Doughnut Hole: Excess Profits on Prescription Drugs” CEPR Issue Brief, August 2006\textsuperscript{37}
• Joseph E. Stiglitz, “Prizes, Not Patents,” Project Syndicate, 2007\textsuperscript{38}

3.8.6 Further perspectives on health care reform

These readings should be complete by Wednesday, May 5.

• Unsystematic, Chapter 7: Health Insurance
• Unsystematic, Chapter 8: From HMOs toManaged Care
• Unsystematic, Chapter 9: Health Care Costs and Cost Containment
• Unsystematic, Chapter 10: Health Care System Reform
• Unsystematic, Chapter 11: The Health Care Systems in Other Countries
• Unsystematic, Chapter 12: The End of the Story and Its Implications

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\textsuperscript{36}http://www.thirdworldtraveler.com/Corporations/InPlace_Nations.html
\textsuperscript{37}http://www.cepr.net/documents/part_d_drug_profits_2006_08.pdf
\textsuperscript{38}http://www.project-syndicate.org/commentary/stiglitz81