Course Purpose

This is an applied microeconomics course. We will be using the principles of microeconomics to examine the demand for health and demand and supply of health care services. We will also be examining the role of insurance and how it influences the performance of health services markets.

The purpose of this course is twofold: (1) to enrich your conceptual and technical understanding of the economic principles influencing the distribution of health care services (i.e., role of economic incentives, competition, and regulation on the availability of health care services, as well as how the twin-criteria of efficiency and equity are used to evaluate programs and policies to improve health and public health) and (2) to teach you a new way of thinking about health issues -- an economic way of thinking.

Learning Objectives

1. To demonstrate, through a series of essay examinations and assignments, an understanding of health economic concepts, principles, and theories.

2. To demonstrate, through a series of essay examinations, an ability to apply health economic concepts, principles, and theories, as well as empirical evidence to evaluate the performance of markets for insurance and health care services.

3. To demonstrate, through class discussions, an ability to critically think through, using economic principles, the market implications of a variety of health reforms and policies.

4. To demonstrate, through a series of structured assignments, an ability to (a) access and use library and internet resources and (b) assimilate information in scholarly journals and popular news magazines and newspapers.

5. To learn, through essay examinations and class discussions, to (a) think creatively, critically, and cooperatively; (b) accept and receive constructive criticism; and (c) respectfully disagree and agree.

Readings and Other Course Materials


Required Readings: Posted on Sakai.

Lecture Notes: Outlines of class lectures are posted on Sakai.

Recommended: An introductory microeconomics text may be helpful from time to time.
**Course Approach**

Each lecture has the following structure: (1) a lecture outline, followed by a list of required reading assignments; (2) a set of motivating questions (these are the questions I will be answering during the lecture); and (3) companion lecture notes. Some lectures have related assignments.

To help you grasp the material and follow all the twists and turns in the lecture, I have carefully outlined my lecture notes. The motivating questions are intended as a guide to the lecture, as well as a study aid that can be used to test your understanding of the lecture material. These notes include summaries of major facts and findings, definitions, and all graphs to be discussed during class. **Warning: These notes are not a perfect substitute for my notes.** You will need to annotate the notes during the class lecture.

**Course Requirements**

The course requirements are three memo assignments, class participation, a health economics journal, and two examinations. The relative weights for each are as follows:

- Exam 1: 30%
- HE journal: 10%
- Class participation: 10%
- Exam 2: 50%
- Memo assignments: max 15 positive/negative “power” points

**Performance improvement on examinations may be considered in assigning final grades.**

**Exams:**
- Exam 1: Half-period essay examination: **Tuesday, October 17**
- Exam 2: Full-period final essay examination: **Tuesday, December 12**.

**Format of Examinations**

My objective is to test conceptual and technical understanding of the course material and evaluation and critical assessment abilities. The exams will be representative of the material covered in class. I will not select obscure points covered only in the readings or minor points made in class. Samples of old exams are available on Sakai.

On examinations be prepared to give examples of particular types of economic models, government interventions, insurance plans, and proposals for change. Graphical analysis may be required.

In preparing for exams, I strongly recommend that you carefully and thoroughly review your class notes, the major readings discussed in class, and old exams. In reviewing these materials, think in terms of the following dimensions: incentives, efficiency, quality, and access.

**Health Economics Journal:** Applying what you learn is critically important. Over the course of the semester, you will be keeping a health economics journal. In this journal, you will identify at least 10 report briefs, magazine articles, and/or newspaper articles published in 2017 on issues related to health economics or health care reform. In your journal, you will cite the report/article using APA style guide (see https://owl.english.purdue.edu/owl/resource/560/01/), summarize the issue as it relates to health economics (3-5 complete sentences), and identify at least two concepts learned in class (e.g., moral hazard, adverse selection, demand for health care services, demand for health, supply of health care services, cost-effectiveness) that are used in the report/article. You will use your journal to participate in class discussion on **November 28.** Your journal is turned in for grading the day you discuss it in class.
Example for Health Economics Entry:

Article 1: Many people getting unnecessary cataract surgery test


Abstract: Cataract surgery is a low-risk surgical procedure. Doctors are ordering a variety of tests (e.g., blood work, chest x-rays, EKGs, lung tests) to diagnosis and treat the condition. Many of the tests are not required to diagnosis cataracts but they do provide revenue to doctors prescribing the tests. Medicare’s benefit design covers these tests, although those beneficiaries not in Medicare-Part C must pay a 20 percent co-insurance rate on all tests prescribed.

1. Cost-sharing causes moral hazard behavior. Medicare beneficiaries only pay 20 percent of the costs of tests. These lower prices can encourage Medicare beneficiaries to agree to tests even when marginal benefits are less than marginal costs, resulting in a welfare loss.

2. Prevalence of ignorance and principal-agent relationship. Medicare beneficiaries do not know which diagnostic tests are necessary to diagnosis cataracts. Because of the prevalence of ignorance, they rely on their doctors’ recommendations, which may be influenced by the financial interests of the prescribing doctors.

Procedural Issues

Standards for Written Assignments. All written assignments prepared outside of class must be typed. The font may be no smaller than 11-point. Grades will be lowered for misspellings, poor sentence structure, disorganization, and failure to correctly use the APA style guide. Students are responsible for assuring that all electronic submissions are readable in common formats regularly used by the University, most frequently Adobe Acrobat (PDF) and Microsoft Word.

Missing an Examination. Make-up examinations are given only if the following procedure has been followed: (1) the student contacts Professor Wolff prior to the examination date and explains why he or she is unable to take the examination and (2) Professor Wolff determines that there is just cause for missing the examination and she gives the student permission to miss the exam. Warning: There are very few explanations that meet "just cause" criteria. Students are strongly encouraged to take the exams as scheduled.

Academic Integrity. The Rutgers University Policy on Academic Integrity is fully and strictly enforced by the Undergraduate Program in Planning, Public Policy, and Public Health. Details on the Rutgers University Policy can be found at http://academicintegrity.rutgers.edu/academic-integrity-policy. Any allegation of dishonesty involving this course will be thoroughly investigated and reported to the Dean’s Office.

Professional Conduct. Students are encouraged to participate in the learning process. Your thoughts and insights on class topics are an important contribution to the class. Students who venture to offer their perspectives and questions are guaranteed a respectful, non-discriminatory classroom environment.

ASSIGNMENT DUE DATE SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 19</td>
<td>Memo assignment #1</td>
</tr>
<tr>
<td>October 3</td>
<td>Memo assignment #2</td>
</tr>
<tr>
<td>October 10</td>
<td>Memo assignment #3</td>
</tr>
<tr>
<td>October 17</td>
<td>*** Examination 1 ***</td>
</tr>
<tr>
<td>November 28</td>
<td>Health Economics Journal</td>
</tr>
<tr>
<td>December 12</td>
<td>*** Examination 2 ***</td>
</tr>
</tbody>
</table>
READING LIST

September 5            Introduction and Course Overview            Lecture 1


September 12          Introduction to Economics and Health Economics            Lecture 2


September 19           Market for Health Care Services            Lecture 3


September 26          Economic Evaluation Methods            Lecture 4


October 3-10          Demand for Health Insurance            Lecture 5


October 17            EXAMINATION 1

Physician Market            Lecture 6


October 24          Hospital Market          Lecture 7

October 31          Long Term Care          Lecture 8

November 7          Pharmaceutical Market          Lecture 9

November 14          Role of Government          Lecture 10

November 28          Health Economics Journal Presentations

December 5          Health Care System Reform          Lecture 11
Course Summary and Review

December 12          EXAMINATION 2