ISSUES IN HEALTH ECONOMICS
ECON 467b/EP&E 319b

Instructor: Howard Paul Forman, M.D., M.B.A.
Professor, Departments of Diagnostic Radiology, Economics, Public Health, and Management

Time: Wednesdays, 1:30 PM – 3:20 PM
Location: CO 493 – Rm 110

TF: Stanley Yu

Objectives:
To provide the student with the foundation and background to understand policy, political, financial, and economic issues surrounding health and health care delivery. This class should provide a forum for discussion about current issues surrounding the financing and delivery of health care and their "micro" and "macro" economic implications.

The choice of topics for didactic discussion does not imply that these are the only or even the most major topics to understand. They do, however, form the basis for understanding how to think about health care as an economist. Students will learn how to analyze difficult issues; learn about stakeholders; explore emerging issues; and ultimately understand how to apply these skills to other areas of public sector finance.

Prerequisites:
Students *must* be Economics or EP&E majors. As I also teach Econ 170a (Economics of Health care and Public Policy- an introductory lecture course) in the fall, as well as MGT 698b (Health care Finance and Health Economics – a Graduate (SOM) course) in the spring, there will be no exceptions. Please see me or my website, http://www.thehowie.com, if you would like to learn more about these non-Econ courses.

Format:
The class will begin with four full didactic/participatory sessions followed by half lecture/half policy discussions for the subsequent 6 or 7 sessions. Finally, the last two sessions will include student presentations of their final paper with proper allowance for discussion and defense of the hypotheses presented. The final paper will not be a presentation of new research but should be an innovative and provocative challenge of extant health care finance, economics or health policy. Students enrolled as EP&E may choose a topic consistent with that major.

Students will be responsible for all required readings from the syllabus as well as relevant lay-press (*New York Times*, *Wall Street Journal*, *The Economist*, etc.) articles in order to cogently discuss the lecture's topic. Additionally, students in the past have found Kaiser's Daily Health Policy Report helpful. (http://www.kaisernetwork.org/Daily_reports/rep_hpolicy.cfm)

The default final version of the syllabus will always be the one that is linked to the course website.

COURSE REQUIREMENTS

1. **Participation:** The course is seminar style where interchange and discussion are expected. Each lecture will have assigned reading from the textbook, as well as optional recent articles and chapters. Additional readings may be distributed or linked to the class web page, as posted at http://classesv2.yale.edu. The first four classes will be mainly didactic lectures. Sessions 5 - 11 will focus on current topics including presentations by the students of current policy topics. While it may be difficult for some to freely participate, it is absolutely essential to the success of the class. Similarly, you cannot achieve a high grade in this class without substantial weekly class participation. From my perspective, this is one of the greatest challenges of a seminar. Even the smartest student cannot achieve a high grade in the absence of participation. On **October 7, 2009 (Session 6)**, you will receive a mid-semester participation grade.

   2. Reading Response: Each student is expected to complete a 300-word response to any two of the required reading articles (not the textbook) throughout the semester. The two responses must be submitted during *different* weeks. The best responses critically engage the text in a creative, thought-provoking way. Please email your responses to Stanley (stanley.yu@yale.edu) before the class that the reading is due. Some responses may be posted on the classes server.

3. **Policy brief:** The purpose of this assignment is to have you think about the impact of economic principles and political realities on the introduction of new or modified health policies. Most of these topics will be domestically oriented, though some are internationally focused. At the first session you will receive the schedule for policy briefs. You will then have the opportunity to email Stanley with your topic of choice; first come, first served. However, there must be three briefs chosen from each unit- thus you may be randomly assigned if there are not enough volunteers. The first set of policy briefs will be due on the fourth session.

   You must submit the *2-page* brief to me by the date your brief is due. Please also email a copy to Stanley so that it can be posted to the classes server website. You should be prepared to discuss your topic at any session following its submission. Your policy brief, as well as your discussion of your topic, will contribute 15% to your final grade. The non-presenting students should prepare for the discussion by reading the brief on the classes website.

   In addition, each student will be assigned to present a critical analysis of another student's brief. This *7-minute* analysis should include a quick summary of the writer's argument, as well as possible counterarguments, discussion questions, etc. Please stay within the allotted 7 minutes, as promptness will count towards your presentation grade. The writer will then have the opportunity to rebut or confirm key points, before allowing for a subsequent class discussion.

4. **The paper:** Each student must prepare a final paper on a specific health economic, policy, or health care finance topic. EP&E students may choose a more policy-oriented topic. The final paper requires a formal presentation during the final two sessions of the course (see the next section for more details on the presentation).

   Although there is no "correct" format for the paper, there are some expected standards:

   - 12 point font, typed, double-spaced, 1-inch margins with numbered pages

- 10-40 relevant references, of which at least 5 should be from 2009
- Between 10-15 pages. Longer or shorter papers may be appropriate, depending on the topic; a well-written short paper is far better than a poorly written long paper
- Figures, tables, etc. as needed; particularly appropriate for finance and quantitative papers

For the actual content of the paper, keep the following guidelines in mind:

- Be innovative (e.g. include a new way of viewing existing data or information) and expand on the current understanding of the topic, as illustrated in the literature
- Include material taught in class
- Include genuine micro- and macro-economic principles, when possible
- True financial modeling can be done and may be required for some topics; background in finance is not required
- Incorporation of prior coursework in economics is expected and will heavily influence grading
- The paper should be suitable (if not ready) for publication

Approval of the topic for each paper is required, and a **prospectus (100 to 200 words) must be submitted at the beginning of the October 7, 2009, class session.** This document will be returned to you at the following session, with the intention of giving you ample opportunity to work on your paper throughout the rest of the semester. If you wish, you may select a topic which you have covered in another class; however, you ***must*** give me a copy of your previous work and advance it substantially in order to receive credit. Plagiarism, even from your own unpublished but previously submitted work, will not be tolerated.

PLEASE make certain that you have done bibliographic research PRIOR to submitting your proposal.

The actual manuscript is due by email to howard.forman@yale.edu on **Friday, December 11, 2009**, but may be submitted any time before that. I will be happy to discuss topics individually with any student

Hints and suggestions from previous grading of papers:

a. Avoid colloquialisms.
b. Pejorative or inflammatory statements may work for a presentation, when used appropriately to engage the audience. Try to avoid them in your papers.
c. Please make sure your references are complete and accurate. (Any formal referencing style is acceptable; MLA is standard.)
d. Risks must be weighed against reward, as always. I will definitely reward papers that display an innovative twist. (Students in the past have done econometric analyses, surveys, etc. to enhance their content). On the other hand, if you do this terribly, it may have an adverse effect.
e. Avoid rambling. Try to be concise and ordered in your writing.
g. Avoid any typographical errors or grammatical mistakes, it cannot help your grading.
h. I do not consider Wikipedia a cite-able reference.
i. Do not overreach. 15 pages is relatively short. Please pick a topic and stay focused.

5. The presentation: The final paper must be presented during the final sessions of the class. We will assign your presentations randomly. You MUST be prepared to present when called on. The presentation should be **10 minutes**, and there will be up to 5 minutes for discussion. Timing is <u>very important</u> as will be discussed in class.

Once we have a final roster for the class, we will know more precisely how many final presentation sessions will be needed and how long they will last.

6. Attendance: Attendance is required and will be taken– participation cannot occur in one's absence! If you anticipate an absence or lateness (even by a few minutes), please email both Stanley and me.

7. Quiz: During the week of **November 11, 2009**, a closed-book quiz will be administered outside of class during the evening. You will be given several time options to take this 2-hour quiz. Additional logistical details will be provided.

8. Grading:

A. Classroom participation: 20%
B. Reading responses: 5%
C. Policy brief/Presentation: 15%
D. Quiz: 15%
E. Long Paper: 35%
F. Presentation: 10%

COURSE MATERIALS

Books:

There is one required book: <u>A Health Economics Primer</u>, Shirley Johnson-Lans. (Available at the Yale Bookstore).

(If you are pre-med, then I would recommend that students read <u>House of God</u> prior to the first class. It is a paperback book published 25 years ago that is somewhat entertaining and definitely light reading. It is as relevant to today's medical practice as it was to that of the 1970's.)

<u>*There are several supplementary books listed below. These are listed for reference only. You may find them helpful for your final paper topic:*</u>

<u>Handbook of Health Economics</u>, Culyer AJ, Newhouse JP, editors (Elsevier 2000). This is probably the most complete and academically profound treatment of this topic. I would hasten to add that it is not a "handbook" by any stretch, unless you have acromegaly. It is a two-volume set. It is probably an essential first reference for any paper that you might be inclined to write for this course.

<u>The Politics of Medicare</u>, 2nd ed. Theodore R. Marmor (Aldine de Gruyter 2000)

<u>Economics of the Public Sector</u>, 3rd ed. Stiglitz J (Norton 2000). This is the premier book in this field. I would recommend purchase by anyone who would like to work in public policy, health policy, health economics, health care finance, or health care, in general.

Health Benefits at Work, Mark V. Pauly (University of Michigan Press 1997)

Optional Readings:
There are many optional readings. There is NO expectation that you will get to any or all of these. They are being offered to enhance your experience. They may also serve as a guide for your policy brief or your paper/presentation.

In addition, handouts will be distributed at the beginning of each lecture. All slides will be placed on the course web site.

Updates will be made available at the course web site on the classesv2 server.

CONTACT INFORMATION

Email: howard.forman@yale.edu
This is the preferred way to reach me. I am very accessible by email.

Office Hours:
By appointment. Please contact me via email (preferred) or at one of the offices below.

Medical School Office: Located at Yale School of Medicine; Department of Diagnostic Radiology; Chairman's Office – TE2 (You enter the Boardman Building (Directly across from the main entrance of the Sterling Hall of Medicine); proceed straight down a hallway; turn left at the information desk; Pass Bank of America; Up one flight of stairs; Turn left, passing two doors on your left; The third door on your left will be TE-2). Call 203-785-2384 or 785-5252 if you need directions.

School of Management Office: Located at 55 Hillhouse Avenue; Garden Level. You can call Judi at 203-432-0345 for directions.

Office Telephone: 203-432-4649 (Elaine Vivero is my Associate Director and can relay a message; I am much more reliably reached by email).

Teaching Fellow:
This semester's teaching fellow is Stanley Yu (SM'10). He can be reached via email at stanley.yu@yale.edu. In urgent situations, he can be reached at 818-687-1368.

LECTURES AND READINGS

Please note: SJL = Shirley Johnson-Lans Text
**** indicates that the reading is considered seminal; while you will not be tested on this material, an understanding of its importance is considered a critical take-away from this class.**

Session 1: September 2, 2009

- Introduction – Overview of the course
- Schedule for Policy Briefs
- Introduction to health economics, health care finance, and health care reform
- Modifications since last semester

Required reading:

- SJL, Chapter 1 (pp. 3-18), The Subject Matter of Health Economics.
- Budetti, Peter P. (2008) "Market Justice and U.S. Health Care." JAMA. 299(1): 92-94.
- Obama's Speech on Health Care Reform, *NY Times*, June 15, 2009.
- Anderson, G. F., & Chalkidou, K. (2008) "Spending on Medical Care: More is Better?" JAMA, 299(20), 2444-2445.

Optional reading:

- SJL, Appendix 1 (pp. 315-339), Brief Review of Economic Concepts and Tools of Analysis. (You can read this if you need any sort of refresher of this topic.)
- SJL, Appendix 2 (pp. 342-349), Introduction to Statistical Techniques. (See above.)
- Scott, J. "Life at the top in America isn't just better, it's longer." *NY Times*, May 16, 2005.
- Part 4, Chapter 12 (pp. 300-328) in: *Economics of the Public Sector* (3rd edition; New York: Norton, 2000); Stiglitz J.

Session 2: September 9, 2009

- National Health Expenditures

Required:

- SJL, Chapter 2 (pp. 19 – 36), The Demand for Health and the Demand for Health Care.
- Cutler D. M., Rosen A. B., Vijan S. "The Value of Medical Spending in the United States, 1960–2000," *NEJM* Vol. 355 (2006), pp. 920-927.
- Pear, Robert. "Spending Rise for Health Care and Prescription Drugs Slow," *NY Times*, January 5, 2009.
- Hartman M, et al. "National Health Spending In 2007: Slower Drug Spending Contributes To Lowest Rate Of Overall Growth Since 1998" *Health Affairs* 28 (2009):246-261.
- *Trends in Health Care Costs and Spending*, Kaiser Family Foundation, March 2009.

Optional:

- White, Chapin. "Health Care Spending Growth: How Different Is The United States From The Rest Of The OECD?" *Health Affairs* 26 (2007): 154-161.
- Dafny, Leemore. "How do hospitals respond to price changes?" *American Economic Review*: December 2005.
- *Health Care Costs: A Primer*, Kaiser Family Foundation, March 2009.

Session 3: September 16, 2009

- Insurance Concepts
- Evolution of Health care Insurance in the US
- Policy Brief Assignments

Required:

- SJL, Chapter 3 (pp. 41- 63), The Nature of Health Insurance Markets.
- Gladwell, Malcom. "The Moral-Hazard Myth: The bad idea behind our failed health-care system." *The New Yorker*. August 22, 2005.
- Nyman, John. "Is 'Moral Hazard' Inefficient? The Policy Implications of a New Theory." *Health Affairs* 23 (2004): 194-199.

Optional:

- Pauly, Mark and Sean Nicholson. "Adverse Consequences of Adverse Selection." *Journal of Health Politics, Policy and Law*, Vol. 24, No. 5, October 1999.
- Bernard, Didem et al. "Wealth, Income, and the Affordability of Health Insurance." *Health Affairs* 28, no. 3 (2009): 887-896.

Session 4: September 23, 2009

- Micro-economics as applied to health care

Required:

- **Akerlof, GA. The Market for 'Lemons': Qualitative Uncertainty and the Market Mechanism. *Quarterly Journal of Economics* 82 (1970): 488-500.
- **Pauly, Mark V. "Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection." *The Quarterly Journal of Economics* (Feb. 1974): 44-62.
- Nichols, L.M., et al. "Are Market Forces Strong Enough to Deliver Efficient Health Care? Confidence is Waning" *Health Affairs* 23 (March/April 2004).

Optional:

- **Rothschild, Michael and Stiglitz, Joseph. "Equilibrium in Competitive Insurance Markets: An Essay on Economics of Imperfect Information." *The Quarterly Journal of Economics* (Nov., 1976): 629-649.
- Part 2, Chapter 3-5 (pages 55-124) in: *Economics of the Public Sector* (3rd edition; New York: Norton, 2000)

Session 5: September 30, 2009

- Social justice, Welfare Economics and Social Insurance
- Policy Briefs - first presentations (up to 3)

Required:

- Dionne, E.J. "Why Social Insurance?" Social Security Brief, No. 6. National Academy of Social Insurance. January 1999.
- **Arrow, KJ. "Uncertainty and the Welfare Economics of Medical Care" *American Economic Review*, 1963.
- **Wennberg, JE and Gittleson, A. "Small Area Variations in Health Care Delivery." *Science* 182 (1973): 1102 – 1108.
- Mirvis, D. M., & Bloom, D. E. (2008) "Population Health and Economic Development in the United States". JAMA, 300(1), 93-95.
- Read posted policy briefs on classesv2 server

Optional:

- Marmor, T.R. and Mashaw, J.L. "Understanding Social Insurance: Fairness, Affordability, and the 'Modernization' of Social Security and Medicare." *Health Affairs* 25 (2006): 114–134.
- Anderson, G., et. al. "Health Care Spending and Use of Information Technology in OECD Countries." *Health Affairs* 25 (2006): 819-829.

<u>Session 6: October 7, 2009</u>

- Pharmaceuticals and PBMs
- Policy Brief Presentations (up to 3)
- Midterm Participation Grade

Due Dates:
Prospectus for Final Paper due at the beginning of class

Required:
- SJL, Chapter 11 (pp. 219 – 236), The Economics of Prescription Drugs.
- Atlas R. The Role of PBMs in Implementing the Medicare Prescription Drug Benefit. *Health Affairs* (2004): w4-504 – w4-514.
- Scherer, F. M. "The Pharmaceutical Industry – Prices and Progress." *The New England Journal of Medicine*, Vol. 351, No. 9 (August 26, 2004), pp. 927-932.
- Wilson, Duff. "More Cost Cuts Sought From Drug Industry." *NY Times*, July 22, 2009.
- Goldman D, Joyce GF, Lawless G, et al. "Benefit Design and Specialty Drug Use." *Health Affairs* 25 (2006): 1319-1331.
- Read posted policy briefs on classesv2 server

Optional:
- Burton, S.L., et al. "The Ethics of Pharmaceutical Benefit Management." *Health Affairs* 20 (2001): 150-161.
- Kesselheim, A.S. and Choudhry, N.K. (2008) "The International Pharmaceutical Market as a Source of Low-Cost Prescription Drugs for U.S. Patients". Annals of Internal Medicine, 148: 614-619.

<u>Session 7: October 14, 2009</u>

- Medicare Financing
- Policy Brief Presentations (up to 3)
- **Prospectus for Final Paper will be returned.**

Required:
- SJL, Chapter 5 (pp. 89 – 98), Social Insurance in the United States: Medicare and Medicaid.
- *Financing Medicare: An Issue Brief*, Kaiser Family Foundation, January 2008.
- Hayes K.J., Pettengill J., and Stensland J. "Getting the Price Right: Medicare Payment Rates For Cardiovascular Services." *Health Affairs* 26 (2007):124-136.
- Rosenthal, M. "Doughnut-Hole Economics." *Health Affairs* 23 (2004).
- Rosenthal, M. "Nonpayment for Performance? Medicare's New Reimbursement Rule." NEJM 357 (October 18, 2007), pp. 1573 – 1575.
- Read posted policy briefs on classesv2 server

Optional:
- Gold, M.R. "Medicare And Cost-Effectiveness Analysis: Time To Ask The Taxpayers." *Health Affairs* 26; 1399-1404, 2007.
- 2009 Medicare Trustees Report

<u>Session 8: October 21, 2009</u>

- Medicare
- Policy Brief Presentations (up to 3)

Required:
- Kaiser Family Foundation, Medicare: A Primer. January, 2009.

- Keehan, Sean et al. "Health Spending Projections Through 2017: The Baby-Boom Generation Is Coming To Medicare." *Health Affairs* 27 (2008): w145-w154.
- Neuman, Patricia, and Julia Cubanski. "Medicare Part D Update – Lessons Learned and Unfinished Business." *NEJM* Vol. 361 (July 23, 3009): 406-414.
- Berenson, Robert, and Bryan Dowd. "Medicare Advantage Plans at a Crossroads – Yet Again." *Health Affairs* 28 (2009); w29–w40.
- Read posted policy briefs on classesv2 server

Optional:

- Report to the Congress: Medicare payment policy. Washington, DC: Medicare Payment Advisory Commission, March 2009.
- Fowler FJ Jr, Gallagher PM, et al. (2008) "Relationship between regional per capita Medicare expenditures and patient perceptions of quality of care." *JAMA*. 299(20): 2406-2412.
- Pham, Hoangmai. "Care Patterns in Medicare and Their Implications for Pay for Performance." *NEJM* Vol. 356 (March 15, 2007), pp. 1130-1139.

<u>Session 9: October 28, 2009</u>

- Medicaid and CHIP
- Policy Brief Presentations (up to 3)

Required:

- SJL, Chapter 5 (pp. 98 - 105), Social Insurance in the United States: Medicare and Medicaid.
- Rowland, Diane. "Health Care and Medicaid – Weathering the Recession." *NEJM*, Vol. 360, No. 13 (March 26, 2009), pp. 1273–1276.
- Weil, A. "There's Something about Medicaid." *Health Affairs*, January/February 2003; 22(1): 13-30.
- *State Fiscal Conditions and Medicaid*, Kaiser Family Foundation, August 2009.
- Iglehard, John. "Expanding Coverage for Children – The Democrats' Power and SCHIP Reauthorization" *NEJM* Vol. 350 (February 26, 2009), pp. 855-857.
- *State Children's Health Insurance Program (CHIP): Reauthorization History*, Kaiser Family Foundation, February 2009.
- Read posted policy briefs on classesv2 server

Optional:

- Selden, Thomas et al. "Cost Sharing in Medicaid and CHIP: How Does It Affect Out- Of-Pocket Spending?" *Health Affairs* 28, no. 4 (2009): 607-619.
- Aizer, A., Currie, J and Moretti, E. "Does Managed Care Hurt Health? Evidence from Medicaid Mothers," *The Review of Economics and Statistics*, August 2007, 89(3): 385-399.

<u>Session 10: November 4, 2009</u>

- Health care reform
- Employment Based Health Insurance
- Policy Brief completion (up to 3)

Required:

- Gruber, Jonathan. "A Win-Win Approach to Financing Health Care Reform." *NEJM*, Vol. 361 (July 2, 2009), pp. 1-2.
- Iglehart, John. "More Checks than Balances in the Struggle for Health Care Reform." *NEJM* Vol. 361 (July 30, 2009).

- Sussman, Tara et al. “Will Americans Support the Individual Mandate?” *Health Affairs* 28 (2009): w501-w508.
- Ginsburg, Paul. “Employment-Based Health Benefits Under Universal Coverage.” *Health Affairs* 27 (2008): 675-686.
- Enthoven A.C. and Fuchs V.R. “Employment-Based Health Insurance: Past, Present, and Future.” *Health Affairs* 25 (2006): 1538-1547.
- Wilensky, Gail. “Consumer-Driven Health Plans: Early Evidence and Potential Impact on Hospitals.” *Health Affairs* 25 (2006): 174-184.
- Read posted policy briefs on classesv2 server

Optional:

- Hacker, Jacob S. “Healthy Competition – The Why and How of “Public-Plan Choice.” *NEJM* Vol. 360 (May 28, 2009), pp. 2269-2271.
- Porter, Michael. “A Strategy for Health Care Reform – Toward a Value-Based System.” *NEJM* Vol. 361 (July 9, 2009), pp. 109-112.
- Blendon, R.J. and Benson, J.M. “Understanding How Americans View Health Care Reform.” *NEJM*, 2009.
- Sessions, S.Y. (2009) “Employment and U.S. Health Care Reform: Saving Jobs While Cutting Costs.” *JAMA* 301(17): 1811-1813.
- Frank, R.G. and Zeckhauser, R.J. “Health Insurance Exchanges – Making the Markets Work.” *NEJM*, 2009.

Session 11: November 11, 2009

- **Note: Quiz will be administered this week!**
- Catch-up session (If we are fully caught up, we will pick a topic from the following options: Cost-effectiveness Analysis in health care; Managed Care)

Session 12: November 18, 2009

- Student Presentations (Up to 7 students)

Thanksgiving Break: No Class on November 25, 2009

Session 13: December 2, 2009

- Student Presentations (Up to 7 students)
- Pizza will be served

December 11, 2009: Final Papers Due via email to Professor Forman (howard.forman@yale.edu). If you want a “return receipt” please email this by 9 pm.