

**Health Economics and Public Policy  
ECON 170a**

**Fall 2011**

Tuesdays and Thursdays: 2:30pm – 3:45pm  
Rosenfeld Hall, GR 109

**Objectives**

- To use economic principles in understanding the US healthcare system, including delivery and financing issues.
- To understand the underlying economic rationale for current failures and currently proposed solutions to healthcare delivery.
- To explore the positive and negative attributes of various solutions to current problems.

**Professor/Instructor**

Howard Forman, MD, MBA  
Professor, Diagnostic Radiology & Public Health; YSM  
Professor, School of Management (SOM)  
Professor, Department of Economics, Yale College

Office Hours: By appt.

Office Locations: YSM – TE-2 (call 785-2384 for directions)

SOM – 55 Hillhouse Avenue; Garden Level (call 432-0345 for directions)

Email: [howard.forman@yale.edu](mailto:howard.forman@yale.edu)

**Teaching Assistants**

Co-teaching assistant: Nicholas Torsiello: [nicholas.torsiello@yale.edu](mailto:nicholas.torsiello@yale.edu)

Co-teaching assistant: Jonathan Dach: [jonathan.dach@yale.edu](mailto:jonathan.dach@yale.edu)

Course assistant: Gennifer Tsoi: [gennifer.tsoi@yale.edu](mailto:gennifer.tsoi@yale.edu)

Division of responsibilities is as follows:

- Gennifer is the first point of contact for questions or clarification on course structure/schedule, administrative matters, and general assignment enquiries.
- Nick, Jonathan, and Howie are a second point of contact for questions regarding course structure, and first contacts for exam/assignment grading questions as well as all content queries.

**Review Sessions:** As detailed in the course schedule, the TAs will hold regular review sessions, which are designed to help you prepare for the two exams and to answer any additional questions. They will provide guidance as to the types of questions you should be able to answer within each topic area. If you have specific questions you would like answered at an upcoming review session, please send these to Gennifer.

**Office Hours:** The TAs and Howie will make themselves available for weekly office hours (immediately before and after class). One or more of us will be available during this time if you wish to come to discuss any aspect of the course in person.

### **Prerequisites/Notes on Enrollment**

- Prerequisites: ECON 110 or ECON 115; or equivalent.
- Students may not have taken or plan to take MGT 698.

### **Assessments and Grading**

Short Assignment: 5%  
Reading Responses (2): 10%  
Midterm Examination: 25%  
Final Examination: 30%  
Individual Final Paper: 30% (3% for submitting the prospectus on time; only 27% will be available to you, if you submit the prospectus late)

### **Course Requirements and Due Dates**

1. Even though this is a lecture course, participation is encouraged.
2. A **short assignment** will be due on **September 13<sup>th</sup>**. The assignment will ask you to find insurance premiums and deductibles for a variety of hypothetical cases using a commercial web-source. You will then be asked to analyze the resulting “data” and discuss how the economic theory learned in class applies to these. We will post and distribute the very brief questions, before that session.
3. Two **reading responses** will be required, one concerning health insurance basics (due **September 22<sup>nd</sup>**) and another concerning provider reimbursement (due **November 1<sup>st</sup>**). Each is to be no longer than one page and should focus on the main policy issue(s) being addressed as well as the key economic concepts germane to the problem(s), i.e., *not* a summary of the article.
4. A **midterm examination** will be given on **October 20<sup>th</sup>, in class**. The material will draw from assigned readings, lectures, and guest speakers.
5. A **final, cumulative examination** given during examination week (**Date TBA, location TBA**) will draw from lectures (including guest speakers) and assigned reading material. All material covered prior to the examination will be testable. We will not plan to give a make-up exam for those unable to take the exam on this date, so if there is a conflict, notify one of the TAs as soon as possible. There will be a review session held outside of class time (date TBA).
6. A **final paper** (6-8 pages, 12 point font, double-spaced, with 8-10 recent references) will be on the topic of your choice. As this course is a domestically oriented economics course, U.S.-oriented topics are recommended.

- An **outline/prospectus** must be submitted by **October 11<sup>th</sup>**, indicating your choice of topic and brief approach. We will deduct 3% of the total course grade if you fail to submit this on time. You will only receive feedback if the topic or approach is not appropriate.
- The **final paper** is due at our final class on **December 1<sup>st</sup>** (Of course, you are welcome to submit your paper earlier in the semester). Any lateness will be penalized. It should be written as a scholarly review of the topic. Formal guidelines and a list of final paper ideas will be posted to the course website. Note that you are not restricted to the subjects on the list; you have great latitude in choosing a topic.

### **Note on Academic Integrity**

As does all of Yale College, we expect and will demand the highest standards of academic integrity. This stands for the examinations, individual paper, and in class assignments. Any potential breach of the Yale College *Code of Academic and Professional Integrity* will be automatically turned over the Executive Committee for action.

## Course Schedule and Readings

### Readings

Course readings will be drawn from journal articles that will be available on the course website (ClassesV2) for download. I strongly recommend that you read the relevant texts in advance of class. All required reading materials are eligible for testing.

Required readings are listed below. Additional readings for each topic are listed in the separate '**Reading List**' document.

### Course Schedule

*Exact order of topics and potential guest lecturers under review. Any changes will be posted to ClassesV2.*

All lectures are HP Forman unless otherwise indicated.

Date	Topic	Required Readings
<b>Module One: Overview of the Healthcare Industry and the application of Economic Principles</b>		
September 1 <sup>st</sup> (Thursday)	<b>Introduction to the course: overview, administration and roadmap</b>	
September 6 <sup>th</sup> (Tuesday)	<b>National Health Expenditures / Overview of Healthcare Industries</b>	<p>Keehan, S.P., et al. "National Health Spending Projections Through 2020: Economic Recovery And Reform Drive Faster Spending Growth." <i>Health Affairs</i>. 2011:30(8).</p> <p>"Health Care Costs: A Primer: Key Information on Health Care Costs and Their Impact" <i>Kaiser Family Foundation</i>. 2009.</p> <p>"Health: Spending Continues to Outpace Economic Growth in Most OECD Countries." <i>OECD</i>. 30 June 2011. (Available online at <a href="http://www.oecd.org/document/38/0,3746,en_21571361_44315115_48289894_1_1_1_1,00.html">http://www.oecd.org/document/38/0,3746,en_21571361_44315115_48289894_1_1_1_1,00.html</a>).</p> <p>Commonwealth Fund. "International Profiles of Health Care Systems: Australia, Canada, Denmark, England, France, Germany, Italy, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United States." June 2010. (Available online at <a href="http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2010/Jun/International-Profiles-of-Health-Care-Systems.aspx">http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2010/Jun/International-Profiles-of-Health-Care-Systems.aspx</a>)</p>
September 8 <sup>th</sup> (Thursday)	<b>Healthcare Economics: Overview of Economic Principles</b>	<p>Kuttner, R. "Market-Based Failure – A Second Opinion on US Health Care Costs." <i>N. Engl. J. Med.</i> 358.6 (2008): 549-51.</p> <p>"Quality, Not Quantity." <i>The Economist</i>. 16 June 2011. (Available online at: <a href="http://www.economist.com/node/18836914">http://www.economist.com/node/18836914</a>).</p> <p>**Akerlof, GA. "The Market for 'Lemons': Qualitative Uncertainty and the Market Mechanism." <i>Quarterly Journal of Economics</i> 82 (1970): 488 – 500.</p> <p>** This is considered a classic reference. Detailed understanding maybe beyond the scope of this class, but conceptual understanding is expected.</p>
Week beginning September 12 <sup>th</sup>	<b>REVIEW SESSION 1 Date/Time/Location TBA</b>	

Date	Topic	Required Readings
September 13 <sup>th</sup> (Tuesday)	Catch-up Lecture  SHORT ASSIGNMENT DUE	N/A
<b>Module Two: Healthcare Insurance: Concepts, Evolution, Current State</b>		
September 15 <sup>th</sup> (Thursday)	Insurance Concepts; Economics of Healthcare Insurance	Bioche, M.G. "Consumer-Directed Healthcare." <i>N. Engl. J. Med.</i> 355 (2006): 1756-1759. (Available online at: <a href="http://www.nejm.org/doi/full/10.1056/NEJMp068127">http://www.nejm.org/doi/full/10.1056/NEJMp068127</a> ).  Thomasson, M. "Health Insurance in the United States." <i>Economic History Association</i> . February 2011. (Available online at: <a href="http://eh.net/encyclopedia/article/thomasson.insurance.health.us">http://eh.net/encyclopedia/article/thomasson.insurance.health.us</a> ).  Kaiser Family Foundation. "The Uninsured: A Primer." December 2010. (Available online at: <a href="http://www.kff.org/uninsured/upload/7451-06.pdf">http://www.kff.org/uninsured/upload/7451-06.pdf</a> )
September 20 <sup>th</sup> (Tuesday)	Insurance II	Harrington, S.E. "The Health Insurance Reform Debate." <i>J Risk and Insur.</i> 2010;77(1):5-38.  "Your Money or Your Life." <i>The Economist</i> . 5 March 2006.  Brennan, T. and Reisman, L. "Value-Based Insurance Design And The Next Generation Of Consumer-Driven Health Care." <i>Health Affairs</i> 26.2 (2007): 204-w207.
September 22 <sup>nd</sup> (Thursday)	Social Insurance: History of Medicare and Medicaid; Financing of Medicare Part A  READING RESPONSE 1 DUE	"Society: Spending for seniors to double or more by 2050." <i>OECD</i> . 18 May 2011. (Available online at: <a href="http://www.oecd.org/document/12/0,3746,en_21571361_44315115_47904908_1_1_1_1,00.html">http://www.oecd.org/document/12/0,3746,en_21571361_44315115_47904908_1_1_1_1,00.html</a> ).  Okma, K.G.H., Marmor, T.R. and Oberlander, J. "Managed Competition for Medicare? Sobering Lessons from the Netherlands." <i>N. Engl. J. Med.</i> (2011).  Marmor, T.R. and Mashaw, J.L. "Understanding Social Insurance: Fairness, Affordability, and the 'Modernization' of Social Security and Medicare." <i>Health Affairs</i> , May 2006; 25: w114 - w134.
Week beginning September 26 <sup>th</sup>	REVIEW SESSION 2 Date/Time/Location TBA	
September 27 <sup>th</sup> (Tuesday)	Financing of Medicare Part B and D	Neuman, P. & Cubanski, J. "Medicare Part D Update – Lessons Learned and Unfinished Business." <i>N. Engl. J. Med.</i> (2009).
September 29 <sup>th</sup> (Thursday)	<i>Rosh Hashanah</i>	CLASS CANCELLED
October 4 <sup>th</sup> (Tuesday)	Medicaid and SCHIP	Sommers, B. and Epstein, A. M. "Why States Are So Miffed about Medicaid – Economics, Politics, and the 'Woodwork Effect.'" <i>N. Engl. J. Med.</i> (2011).  NY Times Medicaid page (please spend some time browsing): <a href="http://topics.nytimes.com/topics/news/health/diseasesconditionsandhealthtopics/medicaid/index.html">http://topics.nytimes.com/topics/news/health/diseasesconditionsandhealthtopics/medicaid/index.html</a>
October 6 <sup>th</sup> (Thursday)	Medicaid and SCHIP (continued)	
Week beginning October 10 <sup>th</sup>	REVIEW SESSION 3 PRE-MIDTERM REVIEW Date/Time/Location TBA	
October 11 <sup>th</sup> (Tuesday)	Cost Benefit and Cost Effectiveness Analysis  FINAL PAPER PROSPECTUS DUE	Fuchs, V. R. and Milstein, A. "The \$640 Billion Question — Why Does Cost-Effective Care Diffuse So Slowly?" <i>N. Engl. J. Med.</i> (2011). (Available online at: <a href="http://healthpolicyandreform.nejm.org/?p=14491">http://healthpolicyandreform.nejm.org/?p=14491</a> )  Martin, D., Maguire, M., and Fine, S. "Identifying and Eliminating the Roadblocks to Comparative-Effectiveness Research." <i>N. Engl. J. Med.</i> (2010). (Available online at: <a href="http://healthpolicyandreform.nejm.org/?p=3520">http://healthpolicyandreform.nejm.org/?p=3520</a> )

Date	Topic	Required Readings
<b>Module Three: Payers and Providers</b>		
October 13 <sup>rd</sup> (Thursday)	<b>Guest Lecture:</b> <b>Bob Kocher, Partner, Venrock (CA)</b>	Any readings will be uploaded to ClassesV2.
October 17 <sup>th</sup> (Monday)	<b>PRE-MIDTERM Q&amp;A SESSION Time/Location TBA</b>	Last minute exam Q&A session
October 18 <sup>th</sup> (Tuesday)	<b>Physician and Nursing Labor Market</b>	Goodman, D. C. and Fisher, E. S. "Physician Workforce Crisis? Wrong Diagnosis, Wrong Prescription." <i>N. Engl. J. Med.</i> 358.16 (2008): 1658-61.  Mello, M. "Understanding Medical Malpractice Insurance: A Primer." Robert Wood Johnson Foundation. January 2008. (Available online at <a href="http://www.rwjf.org/pr/synthesis/reports_and_briefs/pdf/no10_primer.pdf">http://www.rwjf.org/pr/synthesis/reports_and_briefs/pdf/no10_primer.pdf</a> )
October 20 <sup>th</sup> (Thursday)	<b>MIDTERM EXAMINATION Time, length, location TBA</b>	
October 25 <sup>th</sup> (Tuesday)	<b>Physician Services: Payment Schemes and Incentives</b>	"Changes in Payments to Physicians." 2011. (Available online at <a href="http://www.cbo.gov/doc.cfm?index=12240">http://www.cbo.gov/doc.cfm?index=12240</a> )  "Money and the Changing Culture of Medicine." <i>N. Engl. J. Med.</i> 360:101-103 (2009). (Available online at: <a href="http://www.nejm.org/doi/full/10.1056/NEJMp0806369">http://www.nejm.org/doi/full/10.1056/NEJMp0806369</a> ).
October 27 <sup>th</sup> (Thursday)	<b>Guest Lecture:</b> <b>Sam Nussbaum, CMO, Wellpoint</b>	Any readings will be uploaded to ClassesV2.
Week beginning October 31 <sup>st</sup>	<b>REVIEW SESSION 4 Date/Time/Location TBA</b>	
November 1 <sup>st</sup> (Tuesday)	<b>Hospital and Facility Reimbursement</b>  <b>READING RESPONSE 2 DUE</b>	Axon, R.N., and Williams M.V. "Hospital Readmission as an Accountability Measure." <i>JAMA.</i> 2011;305(5):504-505.  Martinez, Barbara. "Cash Before Chemo: Hospitals Get Tough" <i>Wall Street Journal.</i> April 28, 2008; A1.
November 3 <sup>rd</sup> (Thursday)	<b>Guest Lecture:</b> <b>Marty Silverstein, Principal, BCG</b>	Any readings will be uploaded to ClassesV2.
November 8 <sup>th</sup> (Tuesday)	<b>Pharmaceuticals, Generics, and Pharmacy Services: Prescription Drugs, Overview of Industry</b>	Berndt E., McGuire T., Newhouse J. A Primer on the Economics of Prescription Pharmaceutical Pricing in Health Insurance Markets. March 2011. NBER W.P. 16879.  Donohue, J. M., et al. "A Decade of Direct-to-Consumer Advertising of Prescription Drugs." <i>N. Engl. J. Med.</i> 357.7 (2007): 673-81.  "Pharmaceutical and Medicine Manufacturing." <i>Bureau of Labor Statistics.</i> 2010-2011 Edition. (Available online at: <a href="http://www.bls.gov/oco/cg/cgs009.htm">http://www.bls.gov/oco/cg/cgs009.htm</a> ).
November 10 <sup>th</sup> (Thursday)	<b>Pharmaceuticals, Generics, and Pharmacy Services (continued): Prescription Drug Regulation, The FDA</b>	Green, J. and Kesselheim, A. S. "Why Do the Same Drugs Look Different? Pills, Trade Dress, and Public Health." <i>N. Engl. J. Med.</i> (2011). (Available online at: <a href="http://www.nejm.org/doi/full/10.1056/NEJMhle1101722">http://www.nejm.org/doi/full/10.1056/NEJMhle1101722</a> )  Kesselheim, A. S. "Using Market-Exclusivity Incentives to Promote Pharmaceutical Innovation." <i>N. Engl. J. Med.</i> (2010). (Available online at: <a href="http://www.nejm.org/doi/full/10.1056/NEJMhle1002961">http://www.nejm.org/doi/full/10.1056/NEJMhle1002961</a> )  Rockoff, J. and Winslow, R. "Drug Makers Refill Parched Pipelines." <i>Wall Street Journal.</i> 11 July 2011. (Available online at: <a href="http://online.wsj.com/article/SB10001424052702303499204576387423702555648.html">http://online.wsj.com/article/SB10001424052702303499204576387423702555648.html</a> )

Date	Topic	Required Readings
Week beginning November 14 <sup>th</sup>	<b>REVIEW SESSION 5</b> Date/Time/Location TBA	
November 15 <sup>th</sup> (Tuesday)	<b>Guest Lecture:</b>  <b>Daniel Barchi, Yale-New Haven Hospital CIO</b>	Any readings will be uploaded to ClassesV2.
November 17 <sup>th</sup> (Thursday)	<b>Pharmaceuticals, Generics, and Pharmacy Services (continued): Patents, Generic Drugs, and Benefit Management Trends</b>	Zhang Y., et al. "The Effect of Medicare Part D on Drug and Medical Spending." <i>NEJM</i> . 2009;361(1):52-61.  Aitken M., Berndt E., and Cutler D. "Prescription Drug Spending Trends in the United States: Looking Beyond the Turning Point." <i>Health Affairs</i> . 2009;28(1):w151-w160.  "Attack of the Biosimilars." <i>The Economist</i> . 21 October 2010. (Available online at: <a href="http://www.economist.com/node/17316667">http://www.economist.com/node/17316667</a> ).
November 22 <sup>nd</sup> (Tuesday)	<b>Fall Recess</b> <b>NO CLASS</b>	
November 24 <sup>th</sup> (Thursday)	<b>Fall Recess</b> <b>NO CLASS</b>	
Week beginning November 28 <sup>th</sup>	<b>REVIEW SESSION 6</b> <b>PRE-FINAL REVIEW</b> Date/Time/Location TBA	
November 29 <sup>th</sup> (Tuesday)	<b>Healthcare Reform: Capstone Lecture</b>	<b>Landmark: Chapters 14, 15 and Conclusion, pp 179-194</b> "The Abortion Fight: What the Compromise Means," "The Rest of the Story: Mental Health, Dental, and More," and "Conclusion: Judging Success"  Rosenthal, M. B. "Hard Choices – Alternatives for Reining in Medicare and Medicaid Spending." <i>N. Engl. J. Med.</i> 362 (2011): 1887-1890. (Available online at <a href="http://www.nejm.org/doi/full/10.1056/NEJMp1104428">http://www.nejm.org/doi/full/10.1056/NEJMp1104428</a> )  Wilensky, G. R. "Reforming Medicare – Toward a Modified Ryan Plan." <i>N. Engl. J. Med.</i> 364 (2011): 1890-1892. (Available online at <a href="http://www.nejm.org/doi/full/10.1056/NEJMp1104425">http://www.nejm.org/doi/full/10.1056/NEJMp1104425</a> )  Gruber, J. "The Cost Implications of Health Care Reform." <i>NEJM</i> . 2010;362:2050-2051.
December 1 <sup>st</sup> (Thursday)	<b>Guest Lecture:</b>  <b>Mary-Ann Etiebet, Sr. Clinical Technical Advisor, Institute of Human Virology – Nigeria</b>	Any readings will be uploaded to ClassesV2.
December 6 <sup>th</sup> (Tuesday)	<b>Reading Period</b> <b>NO CLASS</b>	
December 8 <sup>th</sup> (Thursday)	<b>Reading Period</b> <b>NO CLASS</b>	
December 10 <sup>th</sup> (Friday)	<b>PRE-FINAL Q&amp;A SESSION</b> Time/Location TBA	Last minute exam Q&A session
TBA	<b>FINAL EXAMINATION</b> 2pm, length & location TBA	