

ECON6307

HEALTH ECONOMICS

Course Outline

Semester 2, 2017

Course-Specific Information

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>.

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1 STAFF CONTACT DETAILS

Lecturer-in-charge: Professor Denise Doiron

Location: Room 468 Business School

Phone: 9385 3734

Email: d.doiron@unsw.edu.au

Consultation Times: Wednesday 3:00-5:00PM

1.1 Communications with staff

The lecturer is responsible for the course content as well as the overall administration of the course. You should feel free to approach her about any academic matter related to the course. However, for efficiency reasons, all enquiries about the subject material should be made during consultation time or at lectures or tutorials. Email correspondence on administrative matters (e.g. advising inability to attend tut) will be responded to within 48 hours, but not over weekends.

2 COURSE DETAILS

2.1 Teaching Times and Locations

Each student should enrol in the lecture and the tutorial. The combined lecture/tutorial meets on Tuesdays 1pm – 4pm in Business School 216. Lectures will run from week 1 to week 12 inclusively.

2.2 Units of Credit

The course is worth 6 units of credit. This course is taught in parallel to both Honours and postgraduate students.

2.3 Summary of Course

Health care has become a dominant economic and political issue in many countries and the area of health economics is rapidly growing and developing. In this course, we will review economic approaches to the understanding of markets for health care and more generally the behaviour of agents involved in the provision and consumption of health care. Also, we discuss characteristics that are integral to health economics namely information problems, insurance, government intervention and the institutional environment generally. Students are exposed to the widest possible range of perspectives and are encouraged to form their own critical evaluation of the current state of health care provision in Australia.

This course studies health economics as an applied microeconomics field. For example, issues surrounding the demand for health, health care and health insurance are directly related to consumer behaviour in various market settings. The course also looks at key empirical papers in the area and consequently includes discussion of empirical methods useful in studying topics in health economics. Finally, policies and current issues facing policy makers and researchers in the area of health are reviewed.

2.4 Aims and Relationship to Other Courses

The course is an option available for students enrolled in an Honours or Post-graduate program in Economics or Commerce. The course provides a broad introduction to the subject of health economics and relies considerably on microeconomic and microeconometric methods. Economic concepts and tools such as those learned in

intermediate and advanced undergraduate microeconomics are assumed knowledge in the course.

Additional microeconomic tools appropriate for the analysis of health economics will be reviewed in class. Some knowledge of statistical/econometric methods specifically tools learned in an intermediate econometrics course such as ECON2206 are also treated as assumed knowledge. The subject is suitable both for those students interested in microeconomics applied to the area of health economics and to students interested in current public policy issues in the provision of health and health care.

2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all students in the BUSINESS SCHOOL. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on Program Learning Goals and Outcomes, see the School's Course Outlines Policies webpage available at <https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

Program Learning Goals and Outcomes		Course Learning Outcomes	Course Assessment Item
<i>This course helps you to achieve the following learning goals</i>		<i>On successful completion of the course, you should be able to:</i>	<i>This learning outcome will be assessed in the following items:</i>
1	Knowledge	<p>Have an in-depth understanding of the basic economic concepts used in the study of health economics.</p> <p>Describe the major government programs and institutional features in the provision of health care in Australia and the debates currently surrounding these programs.</p> <p>Have an appreciation of the different market environments in which health and health policy decisions must be made.</p>	<ul style="list-style-type: none"> • Oral presentation • Participation in group discussions • Term paper • 2-hour final exam

2	Critical thinking and problem solving	Apply appropriate economic tools to analyse the behaviour of the various agents in the provision and consumption of health care. Have an understanding of market failures in the provision of health care and the justifications for government policy.	<ul style="list-style-type: none"> • Oral presentation • Participation in group discussions • Term paper • 2-hour final exam
3a	Written communication	Critically evaluate the current economic and econometric approaches used in health economics. Be able to present and discuss your findings.	<ul style="list-style-type: none"> • Term paper • 2-hour final exam
3b	Oral communication	Critically evaluate methods used to address main topics in health economics Be able to present and discuss your findings.	<ul style="list-style-type: none"> • Oral presentation • Participation in group discussions
4	Teamwork	Work collaboratively to complete a task.	<ul style="list-style-type: none"> • Oral presentation • Participation in group discussions • Term paper
5a.	Ethical, environmental and sustainability considerations	Not specifically addressed in this course.	
5b.	Social and cultural awareness	Have an in-depth understanding of current policies and issues surrounding health and health care	<ul style="list-style-type: none"> • Oral presentation • Participation in group discussions • Term paper • 2-hour Final exam

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers aim to provide meaningful and timely feedback to students to improve learning outcome.

3.2 Learning Activities and Teaching Strategies

There will be five basic learning activities utilised in this course: studying of lecture material, reading of additional material, presentation of relevant material, discussion of issues, and writing.

In the lectures, the lecturer will give an **overview** of the specific meeting topic, emphasise the challenges faced in research and practise, introduce state-of-the-art research tools to tackle the problems, discuss relevant background literature, and point to open research questions.

Students are expected to prepare the class by **reading** the assigned literature for the meeting and the lecture notes. Open questions or difficulties in understanding should be brought to the attention of the class so that they can be discussed and resolved.

In each tutorial, students will discuss questions in teams and make **presentations**. Presenting in class improves your organizational and communication skills. Each week, a paper illustrating the lecture material covered in that week will be assigned for the following week's tutorial. At the beginning of the tutorial, a different question relating to the pre-assigned paper will be given to each team. The teams will discuss this question for the first half of the tutorial and will present a brief summary of these deliberations during the last half of the tutorial. The presentations will be 5 to 10 minutes for each team depending on the number of teams. The number of students in each team and the number of teams will depend on the size of the class.

During and after presentations and lectures, all students in class are expected to actively **discuss** the material being presented and the relevant open questions.

4 ASSESSMENT

4.0 You must complete the “Working with Academic Integrity” module on your Moodle site, before you hand in any written work.

- You **MUST** complete the ‘Working with Academic Integrity’ module AND THE MODULE’S QUIZ, found on your course Moodle site, **BEFORE YOU ARE ALLOWED TO SUBMIT ANY WRITTEN ASSESSMENT**.
- If your submission is delayed because you did not complete the module and the quiz, you may be liable to late penalties as specified in your course outline.
- Failing to comply with the University rules of Academic integrity may result in serious consequences:
 - All cases of plagiarism (regardless of their severity) ARE recorded with the University Integrity Office University register.
 - Depending on the level of the plagiarism/misconduct, the penalties may include a FAIL grade for the assessment piece, a FAIL grade for the course, or being expelled for serious/repeat offences.

Any misconduct, including plagiarism, is recorded on your Conduct Record. If you have only one academic misconduct at the lowest level (level A) in your career, then the record is wiped clear when you graduate. Otherwise it remains there permanently. *Many professions, such as accounting and law, require access to the student’s Conduct Record.*

4.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100; and
- make a satisfactory attempt at ALL assessment tasks.

Assessment Details

Assessment Task	Weight	Length	Due date
1. Oral presentations and participation in group discussions	30%	See 4.2 below	See 4.2 below
2. Term paper	30%	Max 10 pages	See 4.3 below
3. Final exam (2-hour)	40%	See 4.4 below	Exam Period

4.2 Oral presentations and participation in group discussions

Each week students will be asked to discuss and present answers to questions based on a pre-assigned paper. This paper will illustrate some of the material covered in the lecture in the previous week and will normally be chosen from the list in Section 7. Students will work in teams to discuss the question(s) in the first half of the tutorial and to present answers to the class in the second half of the tutorial. The lecturer will circulate among the groups to facilitate the discussions. All students must participate in the discussions and in the presentations.

In the last week of semester (week 12) each team will present a paper on a current big issue in health. A list of topics and papers will be provided for the teams. Alternatively, a team may suggest a paper for presentation to the lecturer.

Students should come to tutorials prepared to participate in the team discussions and the class discussions; i.e. they are expected to read the pre-assigned paper in advance, participate in discussions, and contribute to the presentation of the team's answer to the rest of the class. Marking is done continuously based on participation in discussions, the content and style of presentations.

4.3 Term Paper

Students may work in teams of up to 3 to conduct a short empirical analysis involving health variables, policies or issues. The paper should be no longer than 10 pages including main tables. Students already working with datasets containing health information may use their own data (if these data are already used in research studies, the student must explain exactly what is new in the course term paper.) A data set will also be provided to students if they do not have access to or want to use their own data.

The paper will be due **October 31st**. Additional details on the format and length of the paper will be given in a separate document and posted on the web.

4.4 Final exam

A 2 hour final exam will be held for this course. The lecture notes and the textbook readings will constitute the examinable material. The questions will be broad discussion type questions. Examples of exam questions will be provided in class.

4.5 Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving

the quality of Business School programs. All material used for such processes will be treated as confidential and will not be related to course grades.

5 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's myExperience Survey Tool is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

6 COURSE RESOURCES

The website for this course is on UNSW Moodle at: <http://moodle.telt.unsw.edu.au>

The website contains: the course outline; the tutorial documents; the lecture notes; information for the term paper; course announcements; and other course hand-outs.

Students should consult this website at least once a week as it contains important information about the course. It will be assumed that all students have seen any notice posted on the course website.

The textbook for the course is:

Bhattacharya, J., T. Hyde and P. Tu, *Health Economics*, Palgrave Macmillan, 2014.

A copy of this text has been placed on reserve at the library and copies are available at the bookstore.

Material from the textbook will be complemented with journal articles that can be downloaded from the respective journal websites through UNSW's library system. A few readings not available through the library's ejournals will be provided by the lecturer.

For background knowledge in econometrics, it is recommended that you consult either:

- Wooldridge, Jeffrey (2002). *Econometric Analysis of Cross Section and Panel Data*. MIT Press.
- Angrist, J.D. and J.S. Pischke, *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press, 2009.

7 COURSE SCHEDULE

PLEASE NOTE THAT THE FOLLOWING IS STILL PRELIMINARY AND WILL BE ADAPTED TO THE SIZE AND COMPOSITION OF THE CLASS.

In what follows, BTU refers to the Bhattacharya, Hyde and Tu textbook. Required readings from the texts are indicated for each topic and additional readings are suggested in bullet points. Required readings for discussion in tutorials will normally be

chosen from the list of additional readings. Further readings may be assigned during the semester.

1. Introduction, Measurement and Production of Health (Weeks 1 and 2)

What is health? How do we measure it? How do we produce it?

Required readings:

- BHT Chapters 1,2,3
- Grossman, M. (1972) "On the Concept of Health Capital and the Demand for Health." *Journal of Political Economy*, 82, 223-255.

Additional readings:

- Becker, G.S., T.J. Philipson and R.R. Soares (2005) "The quantity and quality of life and the evolution of world inequality", *The American Economic Review*, 95(1) pp. 277-291.
- Viscusi, W.K. and Aldy, J.E. (2003) "The value of a statistical life: A critical review of market estimates throughout the world", *Journal of Risk and Uncertainty*, 27(1) pp. 5-76.
- Baker, M., M. Stabile and C. Deri (2004) "What do self-reported, objective, measures of health measure?" *The Journal of Human Resources*, 39(4) pp.1067-1093.
- Doiron, D., D. Fiebig, M. Johar and A. Suziedelyte (2015) "Does self-assessed health measure health?" in *Applied Economics*, 47(2) pp.180-194.

2. Information and Insurance (Weeks 3,4,5)

Why is insurance so important in health? What are the information problems in health and health care? What are the basic insurance models applied to health care and what are the main recent extensions?

Required readings:

- BHT Chapters 7,8,9,11
- Arrow, K. (1963) "Uncertainty and the Welfare Economics of Medical Care." *American Economic Review*, 53, pp. 941-973.

Additional readings:

1) basic model

- Rothschild, M. and F. Stiglitz. 1976. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information". *Quarterly Journal of Economics*, 90(4), 629-649.

2) heterogeneity

- Fang, H., M.P. Keane and D. Silverman (2008) "Sources of Advantageous Selection: Evidence from the Medigap Insurance Market", *Journal of Political Economy*, 116(2), pp. 303-350.
- Einav, L., A. Finkelstein, S.P. Ryan, P. Schrimpf and M.R. Cullen (2013) "Selection on moral hazard in health insurance", *American Economic Review*, 103(1) pp. 178-219.
- Doiron, D.J., D.G. Fiebig and A. Suziedelyte (2014) "Hips and hearts: the variation in incentive effects of insurance across hospital procedures", *Journal of Health Economics*, 37, pp. 81-97.

3) frictions

- Handel, B.R. and J.T. Kolstad (2015) “Health insurance for ‘humans’: Information, frictions, plan choice and consumer welfare”, *American Economic Review*, 105(8) pp. 2449-2500.
 - Kettlewell, N. (2017) “Policy choice and product bundling in a complicated health insurance market: Do people get it right?” Discussion paper.
- 4) experimental evidence
- Aron-Dine, A., L. Einav and A. Finkelstein (2013) The RAND health insurance experiment three decades later”, *Journal of Economic Perspectives*, 27(1) pp. 197-222.
 - Finkelstein, A., S. Taubman, B. Wright, M. Bernstein, J. Gruber, J.P. Newhouse, H. Allen, K. Baicker, and the Oregon Health Study Group (2012) “The Oregon Health Insurance Experiment: Evidence from the First Year.” *Quarterly Journal of Economics*, 127(3) pp. 1057–1106.

3. Health Correlates and Behavioural Health Economics (Weeks 6,7,8)

Is health separable? What factors are strongly correlated with health? What are risky behaviours and how do we model addiction?

Required readings:

- BHT Chapters 23,24
- Finkelstein, A., E.F.P. Luttmer and M. J. Notowidigdo (2009) “Approaches to Estimating the health state dependence of the utility function”, *American Economic Review: Papers and Proceedings*, 99(2) pp. 16-121.

Additional readings:

1) health and wealth

- Finkelstein, A., E.F.P. Luttmer and M. J. Notowidigdo (2013) “What good is wealth without health? The effect of health on the marginal utility of consumption”, *Journal of the European Economic Association*, 11(S1) pp.221-258.

2) health and income

- Case, A., D. Lubotsky and C. Paxson (2002) “Economic Status and Health in Childhood: The Origins of the Gradient.” *American Economic Review*, 92(5), pp. 1308-1334.

3) health and recessions

- Ruhm, C.J., (2005) “Healthy living in hard times”, *Journal of Health Economics*, 24 pp. 341-363.

4) health and development

- Deaton, A. (2003) “Health, inequality, and economic development”, *Journal of Economic Literature*, 41(1) pp.113-158.

5) health and education

- Miguel, T. and M. Kremer (2004). “Worms: identifying Impacts on Education and Health in the Presence of Treatment Externalities”, *Econometrica*, 72(1), pp. 159-217.

6) health and work

- Maestas, N., K.J. Mullen and A. Strand (2013) “Does disability insurance receipt discourage work? Using examiner assignment to estimate causal effects of SSDI receipt”, *The American Economic Review*, 103(5) pp. 1797-1829.

4. Health Care Systems and Providers (Weeks 9,10,11)

What are the main types of health care systems? Who are the key players? What are the current challenges in the provision of health care?

Required readings:

- BHT Chapters 15,20
- Folland, S., A.C. Goodman and M. Stano, (2013) *The Economics of Health and Health Care*, Seventh Edition, Routledge, Chapter 22.

Additional readings:

- Ellis, R.P. and T.G. McGuire (2007) "Predictability and predictiveness in health care spending", *Journal of Health Economics* 26 pp. 25-48.
- Gaynor, M. R. Moreno-Serra and C. Propper (2013) "Death by market power: reform, competition and patient outcomes in the National Health Service", *American Economic Journal: Economic Policy*, 5(4) pp. 134-166.
- Sivey, P., A. Scott, J. Witt, C. Joyce and J. Humphreys (2012) "Junior doctors' preferences for specialty choice", *Journal of Health Economics*, 31 pp. 813-823.
- Gravelle, H. M. Sutton and A. Ma (2010) "Doctor behaviour under a pay for performance contract: treating, cheating and case finding?" *The Economic Journal* 120(542) pp.129-156.
- Wright, D. (2004) "The drug bargaining game: pharmaceutical regulation in Australia", *Journal of Health Economics*, 23 pp.785-813.
- Frijters, P., M.A. Shields and S.W. Price (2007) "Investigating the quitting decision of nurses: panel data evidence from the British National Health Service", *Health Economics*, 16 pp.57-73.

5. Current Issues in Health and Health Care (Week 12)

Some of the current big issues not covered in depth in the course include: the obesity epidemic, the effects of aging populations, mental health, health in developing countries.

Student teams will present papers on these issues during this week. Students can suggest papers to present or if they prefer, the lecturer can assign papers for presentation. In either case, the lecturer must approve the papers being presented.