Economics 149
Health Economics
Spring 2007
Course Code: 62160
Course Meetings: MWF 10-10:50
Course Web Site: `http://eee.uci.edu/07s/62160`
Class Room: SSL 290

Instructor: Professor Marianne Bitler
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Phone: 949.824.5606
Office Hours: Wednesday 3–4 pm and Thursday 3–4 pm

Teaching Assistant: Keith Finlay
Office: SST 315
Office Hours: Monday 2–3 pm

Course Objectives:
This course will provide you an an overview of health economics. The goal
of this class is for you to use the tools of economics to gain insight into the
health care system.
We will consider the following topics: health production and the demand for
health; health insurance and insurance markets; the role of doctors, pharma-
ceutical companies, hospitals, and government in health care. We will cover
a topic of a majority of the classes' choice in the last week. You should
be able to think critically about health-related policy issues by the end of
the class. The class prerequisites presume you know some econometrics,
intermediate microeconomics, and calculus. The book reviews some basic
tools of microeconomics and statistics. These will also be covered in the
discussion sections or in class.

Course Materials:
Required text: *The Economics of Health and Health Care*—Fifth Edition
By Folland, Goodman, and Stano
The fourth edition of this text is readily available on Amazon.com and other
used book sites. You are responsible for material in the 5th edition (in
particular, material and homework questions). You may come by office
hours to examine a copy of the 5th edition.
Optional other reading: There are a number of other books on this topic.

1

Ones I recommend include the following:

- *Health Economics*, by Charles E. Phelps

- *Health Policy Issues*, by Paul Feldstein

Grading Policy:
Your grade will be based on best 2 of 3 problem sets (total of 20 percent), one short paper—maximum length of 3 pages (10 percent), one in-class midterm (30 percent), a final exam (40 percent), and class participation (extra credit). The final will be cumulative, but more heavily weighted toward the second half of the class. Evidence of improvement over the semester may help your grade.

Exams:
There will be one **in-class** midterm on May 2.

The final will be during the University's assigned finals period on **Monday June 11, from 10:30 am to 12:30 pm**. The final will be cumulative, but with more emphasis on the material in the second half of the course. If you know you have a conflict with the final exam, you should not sign up for this class.

Exam Policy:
There will be no rescheduling of exams. If you are unable to attend the in-class midterm or final exam, you must provide a legitimate excuse, such as a note from your doctor. Any doctor's note must include a privacy waiver form allowing the School of Social Sciences to call the doctor's office to verify the authenticity of the note. There will be no makeup exams. If you have a valid excuse for missing the midterm, all of the exam part of your grade will be determined by the final exam.

Discussion Sections:
There are three discussion sections. Please attend the one for which you are scheduled. They meet Monday from 4–4:50 (SST 220A), Thursday from 4–4:50 (SSTR 103), and Monday from 1–1:50 (BP 1101).

Homework:
There will be 3 problem sets and one 3 page (maximum length) paper. They will be due by the beginning of class on the date they are due in the

classroom. Late homework will receive no credit. The problem sets will come from the text and elsewhere. I will only count the best 2 of three problem sets towards your grade. You may work together on the problem sets, but you will have a difficult time on the exams if you do not understand the homework material. Everyone must turn in their own problem sets.
Due dates for problem sets are as follows:

1. Problem set 1: Friday April 13 at the beginning of class

2. Problem set 2: Monday April 30 at the beginning of class

3. Problem set 3: Friday May 18 at the beginning of class

The short paper will be due at the beginning of class on Monday June 4. In the paper, you will critique Governor Schwarzenegger's health reform plan using the tools from this class. Because this paper can be no longer than 3 pages at most (with normal 1 inch margins, and font of at least 11 points), you will need to choose the most important aspects of the reform plan to discuss/critique. It should be in the form of a memo to a state legislator, advising them of the pluses and minuses of the governor's plan. I will give you more details in week 6 or so. At a minimum, you should consider all of the following issues: are the costs of the plan worth the benefits, is the proposed method of financing appropriate, will the plan be able to achieve universal coverage, who will be the winners and losers?

Attendance and Class Participation:
There will be material covered in class that will not be available elsewhere. Class participation is encouraged, and thus you should read the assigned material before class. Active intelligent class participation will help your grade.
Please turn off your cell phones or put them on vibrate and be courteous to me and your fellow students in your use of other electronic devices.

Grading Questions:
If you think that your exam has been graded incorrectly, you must write up why you think so, and give this to me within 1 calendar week of getting the exam back. Note that your entire exam is open to regrading, so your grade could go down as well as go up.

Academic Honesty:
All students must be familiar with the University's policy on academic honesty, at
`http://www.senate.uci.edu/senateweb/9_IrvineManual/3ASMAppendices/Appendix08.htm`.
If the TA or I discover any evidence of cheating, dishonest conduct, plagiarizing, or inappropriate collusion on exams or the short writing assignment, the students will be given Fs, and otherwise sanctioned to the full extent possible. These terms are explicitly defined at the URL above. Note that cheating includes use of cell phones, PDAs, portable music devices, any other unauthorized book, papers, or device. Leaving the exam room before turning in your exam is cheating.

Drop Policy:
The economics department policy is that students may only drop classes during the **first two weeks of class**.

Schedule:
Note that this schedule is preliminary, and may change. Keep checking the web page for updates.

- April 2–6, Week 1: Introduction (Chapter 1), review of microeconomics tools (Chapter 2), cost-benefit analysis (Chapter 4)

- April 9–13, Week 2: Health production (Chapter 5), demand for health (Chapter 7)
  Problem set 1 due Friday at the beginning of class

- April 16–20, Week 3: Health care production (Chapter 6), review of statistics tools (Chapter 3), consumer choice (Chapter 9)

- April 23–27, Week 4: Health insurance in the abstract (Chapter 8), moral hazard, adverse selection, and agency problems (Chapter 10)

- April 30–May 4, Week 5: Health insurance in the U.S., effects of employer-provided insurance on labor markets (Chapter 11), state proposals for health insurance reform
  Problem set 2 due Monday at the beginning of class

- **Wednesday, May 2, Week 5: In-class midterm (covering material through Chapter 11)**

- May 7–11, Week 6: Managed care (chapter 12), non-profit firms (Chapter 13), role of hospitals (Chapter 14)

- May 14–18, Week 7: Doctors and the health care labor market (Chapter 15 and 16), pharmaceuticals (Chapter 17), the role of government in health care (Chapter 18)
  Problem set 3 due Friday at the beginning of class

- May 21–25, Week 8: More on government in health care (Chapter 19), regulation (Chapters 20)

- May 28: **Holiday, no class**

- May 30–June 1, Week 9: Social insurance and health in the U.S., Medicare, Medicaid, and SCHIP (Chapter 21)

- June 4–6, Week 10: Special topics (class votes on what they are interested in)

  - Health care in other countries in the developed world
  - Addictive behavior (cigarettes, alcohol)
  - HIV/AIDS, vaccines, and health care in the developing world

  Short paper due Monday June 4 at the beginning of class

- June 8, Week 10: Review for final exam

- **June 11, 10:30–12:30: Final Exam**