St George: Winter 2013
Economics 369: Health Economics

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The course is an application of economics to the analysis of the production and consumption of resources in the health care sector. The course will show you how economics can be applied to analyse the production of health and the current problems in providing health care to everyone..

You will be expected to know the material from Economics 200 (Micro) or an equivalent course. The textbook is not very theoretical but the lectures will assume more knowledge of microeconomics. There is considerable empirical evidence in health economics. **Material from Economics 220 or an equivalent statistics course will be helpful.** We will spend time discussing empirical evidence in health economics. In applied economics' courses, evidence is very important.

Uncertainty exists in several areas of health economics and consequently insurance is a major topic. We will consider the problems in designing an insurance plan for healthcare. Notice that we can not insure health but only health care expenses. Second, consumers use agents (doctors) and the control of agents is important. Do doctors make 'good' decisions for their patients? Third, measuring the level of an individuals health, called Health Status, is very difficult. We will spend considerable time investigating how to measure it. This includes finding a numerical value for a life and a life-year.

.Textbook:

1. ***Health Economics***, J. E. Hurley, 1st Edition, McGraw-Hill, 2010

2. Additional articles and notes will be placed on the course Blackboard site.

Other Sources *(for reference only)*:

Health Economics, Charles Phelps, 4rd Edition, Addison Wesley, 2009

The Economics of Health and Health Care, S. Folland, A.C. Goodman and M. Stano, Prentice Hall,

– these are alternative text books, better than Hurley in some aspects and worse in others.

The lecture notes and Blackboard material are at least as important as the textbook.

Grading: Two Term Tests - 30% each
Final Exam - 40%

If you miss a test, medical notes are required within one week. To be considered, an illness must render the student incapacitated and unable to take the exam. Vague illnesses such as "gastroenteritis", "fever", "inability to concentrate" will not be considered. In addition, in order for a doctor's note to be accepted, the illness must be immediately verifiable to the doctor. Illnesses of the "student claims to be…" will not be accepted. In addition, "anxiety" or "stress" is no longer an acceptable excuse.

If you miss a test, there will be no make-up test. The weights from the missed test will be distributed across the other tests. For example, suppose you miss Test One. The new weights will be (3/7) for Test Two and (4/7) for the Final.

Difficulty:

The course is not technically difficult but does require that you read and understand the material. 'Reading' implies that after you have read you can provide a brief summary of the material that you read. For example, you should be able to explain it to a friend who has not read the material.

Most questions are essay questions which require that you synthesize the important aspects of the course. Old tests and finals will be available on the web site.

Outline: *Incomplete - Some additions may be made*

1. Introduction - *This chapter is your responsibility*. It provides an introduction to health economics.
Hurley: Ch. 1

2. The Production of Health – This topic is important. Inefficient production may be one of the most important health economics problems.
a) Prodnote; **b) Prod Sum; c) Extended Screening**

3. Economic Evaluation - Economic evaluations have become an important component of health policy.

Hurley: Ch 4;
a)QALY1; b) QALY3; c)Using QALY Indexes; d) Alternative Measures of Health; e) Valuation; f) Contingent Valuation

4. The Demand for Medical Care – For most policy questions it is important to know how demand varies. These chapters develop the conceptual basis and empirical evidence on the demand for health care.

Hurley: Ch. 6, 7 and 8;
a)**Insurance and Demand; b) Demand Curve w/deductible; c) Canadian Health Care Usage**

5. Risk, Uncertainty and Insurance – We will go far beyond the material in these chapters using extra notes. Designing the right insurance program is a very important problem in health economics

Hurley: Ch. 9 and 10;
a) Optimal Insurance; b) Extended Insurance; c) Can. Insurance;
d)**Adverse Selection Alternative; e)Subsidy Comments**

6. Payment Mechanisms - Alternative methods of payment create different incentives for doctors and hospitals.

Hurley: Ch. 12;

7. The Physician – Doctors act as agents for patients and control the use of health care resources. This chapter considers a variety of aspects of the supply and demand behaviour of doctors.

Hurley: Ch. 13;
Doctor's Choice

8. The Hospital - Hospitals use the largest share of health care expenses. There are questions about how they are operated and what incentives they have to be efficient.

Hurley: Ch. 14;

9. Prescription Drugs – Canada's public medicare does not include prescription drug insurance. Readings will be provided and we will analyse alternative possible plans.

Hurley: Ch 15
Pharmacare; Designing a Drug Program