Economics 156/256 – Health Economics
Syllabus

Stanford University
Fall 2002

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Meeting Place: Landau Building, Room 140
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Office Hours: Monday 3:15-4:30, or by appointment

Course Summary
This course is an introduction to the field of health economics. Health economics is an active field of microeconomics with a large and growing literature. In the past decade, some of the most controversial policies considered by state and federal governments have involved issues that have been analyzed by health economists. This class will provide an introduction to the health care system in the U.S. We will discuss some of the key concepts that health economists use to analyze health care markets. Finally, we will apply these concepts to selected current issues in health policy.

Requirements
Students should have a firm grasp of microeconomics at the level of Intermediate Microeconomics. Students should also be comfortable with basic concepts in statistics. Much of the literature in health economics requires that readers be conversant in the language of statistics and econometrics, so we will review these as necessary.

Grading
The grade will be based on a midterm (20%) and a final (40%). In addition, there will be four problem sets that will count toward the grade in the class (40%). Performance on the examinations will no doubt be affected by the students’ understanding of the material on the problem sets. The material covered on the examinations will come from the lecture notes, problem sets and required reading. If a student requests that some question on an examination be re-graded, I will review the entire examination. There will be no make-up final, so please plan ahead.

Reading Assignments
The text for the course is Health Economics, 3rd edition by Phelps. Another good text, which is recommended for the course (but not required) is The Economics of Health and Health Care, 2nd Edition by Folland, Goodman, and Stano (FGS). A course reader with all the required and recommended reading for the course will be available in the bookstore.
Lectures

1 Sept 25  The economic way of thinking about health care

Required readings:
- Phelps, 3rd ed., ch.1-2

Recommended readings:
- Phelps, 3rd ed., Appendix
- FGS, Ch.1-2

2 Sept 30  Health insurance

Required readings:
- Phelps, 3rd ed., ch. 10

Recommended readings:
- FGS, Ch.11

3 Oct 2  Medicare and Medicaid

Problem Set #1 handed out

Required readings:
- Phelps, 3rd ed., ch. 12

Recommended readings:
- FGS, Ch.21
4 Oct 7  The law of unintended consequences

Required readings:
- Phelps, 3rd ed., ch. 15

Recommended readings:
- FGS, Ch. 19, 20

5 Oct 9  Hospitals and the theory of non-profits

Required readings:
- Phelps, 3rd ed., Ch. 8 and 9

Recommended readings:
- FGS, Ch. 17-18

6 Oct 14  Employer provision of health care (guest lecture by Dr. Kate Bundorf)

Required readings:

Recommended readings:

7 Oct 16  Managed care (guest lecture by Dr. Laurence Baker)

Required readings:
- Phelps, 3rd ed., Ch.11

Recommended readings:
- FGS, Ch.12
8  Oct 21  Physicians

Required readings:
- Phelps, 3rd ed., Ch.6 and 13

Recommended readings:
- Phelps, 3rd ed., Ch. 7
- FGS, Ch. 16

9  Oct 23  Uninsurance: causes and consequences

Problem Set #2 due

Required readings:

Recommended readings:

10  Oct 28  Technological change and health care

Required readings:

Recommended readings:
- FGS, Ch. 14
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<tr>
<th>Date</th>
<th>Topic</th>
<th>Required Readings</th>
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<tr>
<td>11 Oct 30</td>
<td>Midterm</td>
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<td>12 Nov 4</td>
<td>The demand for health care</td>
<td>Required readings:</td>
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<td>- Phelps, 3rd ed., Ch. 4-5</td>
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<td><strong>Recommended readings:</strong></td>
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<td>- FGS, Ch. 6</td>
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<td>13 Nov 6</td>
<td>Human capital and health</td>
<td>Problem set #3 handed out</td>
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<td>Required readings:</td>
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<td>- FGS, Ch. 4-5</td>
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<td>14 Nov 11</td>
<td>Informational asymmetries in health insurance markets</td>
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<td><strong>Recommended readings:</strong></td>
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**Problem Set #3 due; Problem Set #4 handed out**

### Externalities in health care markets—Economic vs. Epidemiologic Epidemiology

**Required readings:**
- Phelps, 3rd ed., Ch. 14

**Recommended readings:**

**16 Nov 18**

### The falling price of health care

**Required readings:**

**17 Nov 20**

### Risk mitigation and bequests: life insurance and viatical settlement markets

**Required readings:**

**18 Nov 25**

### Randomized trials, observational data, and outcomes measurement in health care

**Required readings:**

**Recommended readings:**

19 Nov 27  **The demographics of health: aging, obesity, and disability**

**Problem set #4 due**

**Required readings:**

20 Dec 13  **Final — 8:30am-11:30am**