Economics 236 is an advanced undergraduate course on the economics of health care provision and payment. In this course we will use the tools of microeconomics to analyze the functioning of different pieces of the health care system. We will draw from the sub-disciplines of information economics, industrial organization, labor economics, public economics, and behavioral economics. The primary goal is to use these tools to develop a critical analysis of the functioning of the health care system as well as of the policies aimed at improving it. We will learn about U.S specific institutional details and policies (most notably the Affordable Care Act), and we will compare them to other important international experiences.

**Prerequisites:** ECON 101, MATH 104 and MATH 114 or 115. Wharton students can satisfy the ECON 101 prerequisite with BEPP 250 HONORS. The regular BEPP 250 course does not count as a substitute for ECON 101.

**Grading:**

The grade of the course will be based on:

- Three midterms (closed book), February 8 (25%), March 22 and April 24
- Homework (3, 25% total), due: February 1, March 15 and April 12. Notes:
  1. You will be required to work on the homework in groups
  2. Homework 3 consists on a small research project and an in-class presentation.

**Office Hours:**

- Prof. Atal: Wednesday 4-6pm.
- Michal: Thursday 10-12pm
Course Material: Canvas is the official channel I will use to make announcements, post slides, homework, readings, etc. You must check Canvas regularly. The material from this class is not to be shared with anyone outside of the class.


Course Policies

The Department of Economics maintains a common set of policies that apply to all classes. By taking this class you agree to abide by these policies. Please read these policies carefully, which can be found here:

https://economics.sas.upenn.edu/?q=undergraduate-program/course-information/guidelines/policies

Attendance and make-up exams: It is mandatory to attend the midterms. Please make sure that you schedule your travels, including job interviews, to avoid the exam dates. I will follow the Department’s policies regarding exam attendance.

There will be no make-up written exams. However, if you have one of the valid excuses listed in the Department’s policy for missing a midterm exam - and appropriately reported in the CAR system - your next exams will be re-weighted accordingly to maintain the 100% total. For instance: if you miss the first midterm, midterm 2 and 3 will be worth 37.5% each. If you miss the second midterm, midterm 3 will be worth 50% of your grade.

A make-up exam for students who miss the last exam will be offered following the Department’s rules.

Email policy: You may expect me to respond to emails between 9 and 5 Monday through Friday, and within 48 hours of receiving it. I am happy to use email to respond to fairly simple queries. Please see me in office hours for more involved discussions.

Electronic devices: You may use laptops or tablets in this class to consult online readings or to take notes. Common courtesy dictates that you should not use laptops and cell phones for anything other than the topics of our class. Please place your phone on mute
before you come to class. The use of electronic devices during the exams is strictly prohibited.

Re-grading: All re-grade requests for exams must be submitted in writing, with a full explanation of why you think the work was incorrectly graded. The deadline to submit the request will be announced when exams are returned. We will not accept for re-grading any work written in pencil or that appears to have been altered. Except in cases where the grader has added numbers incorrectly, we will only re-grade entire exams. As a consequence, once you submit your work for re-grading, the grade can go either up or down.

Students with disabilities: In compliance with Penn policy and equal access laws, I am available to discuss appropriate academic accommodations that you may require as a student with a disability. Requests for academic accommodations need to be made during the first two weeks of the semester, except under unusual circumstances, to arrange reasonable accommodations. Students must register with Student Disabilities Services (SDS) for disability verification and for determination of reasonable academic accommodations.

Academic integrity: It is your responsibility to be familiar with the University’s Code of Academic Integrity. Instances of academic dishonesty will be referred to the Office of Student Conduct for adjudication.
Course Outline

I. Demand for Health and Health Care: Model health and health care decisions. Empirical evidence on how economic factors affect these decisions.

II. Demand for Insurance: Expected-utility theory, risk aversion.


IV. Moral Hazard: The downside of insurance. Limiting Moral Hazard.

V: Delivery of Health Care: Physicians and the Hospital Industry: The role of physicians. The hospital industry.

VI. Technology Assessment: The role of technology and innovation on growing costs. Cost-effectiveness and cost-benefit analysis.

VII. Pharmaceutical Markets and Innovation: The workings of the pharmaceutical industry, innovation and the role regulation.

VIII. The American Model and the Affordable Care Act: Overview of the US health care system. The main goals of the Affordable Care Act, early assessment of its functioning, paths for future reform.

IX. International Health Care Systems and Alternative Designs: Contrast the U.S. model with typical health system designs of other countries. The Bismark model. The Beveridge Model.
Preliminary reading list

Demand for Health and Health Care

BHT Chapters 1-3.


Demand for Insurance

BHT, Chapter 7

Adverse Selection

BHT, Chapter 8, 9.11, 10


Choice Complexities


*Moral Hazard*

BHT, Chapter 11


High Deductible Insurance VOX article: http://www.vox.com/2015/10/14/9528441/high-deductible-insurance-kolstad

*Delivery of Health Care: Physicians and the Hospital Industry*

BHT, Chapter 5.4, 6


*Health Technology Assessment.*

BHT Chapter 13, 19


**Pharmaceutical Markets and Innovation**

BHT, Chapter 12


**The American Model and the Affordable Care Act**


Kaiser Family Foundation: Summary of the Affordable Care Act


Heritage Foundation, 2010. “The Case Against Obamacare,”. *Chapters 1,2,4,8 and 9.*

Glied, S and Ma, S. 2015 “How Will the Affordable Care Act Impact the Use of Health Care Services?” The Commonwealth Fund.


Moffit, R. 2016: Year Six of Obamacare’s Mounting Problems. The Heritage Foundation.


**International Health Care Systems and Alternative Designs**
BHT, Chapters 15, 16, 17