

# THE ECONOMICS AND FINANCING OF HEALTH CARE DELIVERY

HCMG 202 | ECON 039

## SYLLABUS

**Time:** Tuesdays and Thursdays, 3.00-4.20pm

**Place:** Steinberg-Dietrich, Room 1203

**Instructor:** Molly Candon

**Office:** 3535 Market Street, 3<sup>rd</sup> Floor, Room 3048

**Email:** [candon@wharton.upenn.edu](mailto:candon@wharton.upenn.edu)

**Teaching Assistant:** Angela Chen

**Email:** [angela.chen@pennteam.upenn.edu](mailto:angela.chen@pennteam.upenn.edu)

**Office Hours:** I will be available after class until ~5.00pm in SHDH 204A. Additional office hours will be scheduled prior to exams, likely in Colonial Penn Center.

### Miscellaneous:

- There is no formal attendance policy.
- Without my approval, laptops, tablets, and similar devices aren't allowed out during class.
- Economics is **not** a hard science, and its content frequently rests on conflicting theories, empirics, and opinions. The only universal law in economics is *it depends*.
- Do not begin questions by apologizing.
- The class largely focuses on the US health care system, but students are more than welcome to discuss their home country's health care system (when relevant).
- Emails will be responded to within two or three business days. Any message sent within 24 hours of a due date or exam may not be answered. Emails sent during the working day are more likely to get a prompt response.
- While they're not a direct part of your grade, attendance and participation are highly encouraged. If you come across an article or topic you'd like to discuss in class, feel free to send it to me or start a discussion thread on Canvas. For more guidelines on proper discourse, refer to the ground rules used by federal courts, which is available [here](#).

**Course Overview:** By examining scarcity, incentives, and trade-offs, the Economics and Financing of Health Care Delivery will dissect critical issues we face when consuming, producing, delivering, and financing health care. Topics include the demand for and supply of health, health care, and health insurance; the unique roles of patients, providers, payers, and important industries; and economic phenomena that are pervasive in health care, including asymmetric information, externalities, market power, and the lack of price transparency. Special emphasis will be placed on market failures and the role of public and private policy solutions.

**Academic Integrity:** All work must meet the standards of the University of Pennsylvania's Code of

Academic Integrity. Lack of knowledge does not excuse a violation. The facilitation of plagiarism will be treated similarly as outright plagiarism. You may work together on problem sets but your answers need to be in **your own words**. If a problem set asks for you to pick a specific academic article or geographic unit, do not use the same one as others in your work group. Please indicate on the first page of your problem set any students that you worked with.

**Materials:** All course materials will be uploaded to Canvas. Academic articles are in the study pack. The textbook is Feldstein's Health Policy Issues: An Economic Perspective. Older editions are fine but you are responsible for any chapter changes. An excellent resource for the economic theory used in class is McCloskey's The Applied Theory of Price, which is available [here](#). For anyone interested in doing quantitative analysis for the final paper, another excellent resource is Impact Evaluation in Practice from the [World Bank](#).

### Grading:

- Your final grade consists of 100 points, including a midterm exam (20 points), a final exam (20 points), a research or data brief (25 points), and four problem sets (10 points each).
- Letter grade cutoffs will be set at the end of the semester and will more-than-likely be the traditional ones (e.g., A is a 93+). There is no A+ option—if you want to know why, I'm happy to elaborate.
- Please expect a two-week turnaround on grades.
- Grade requests should be **emailed to me within one week** of when problem sets or exams are handed back in class. Please provide a photo of your original answer and a brief explanation of why you deserve points back.
- Problem sets are due at the beginning of class on their due date. If you plan to submit it late, **do not come to the first half of class** since we will immediately review it.
- Exam make-ups and problem set extensions will be given at my discretion. Otherwise, there will be a 20-point penalty.
- Because instructions for the paper are available on the first day, no extensions will be granted unless there is a documented medical emergency. Prepare accordingly.

### Important dates and times:

- Problem Set 1: January 30 at 3.00pm
- Problem Set 2: February 25 at 3.00pm
- Exam 1: February 27 at 3.00pm
- Problem Set 3: April 2 at 3.00pm
- Problem Set 4: April 23 at 3.00pm
- Exam 2: April 28 at 3.00pm
- Final Paper: May 2 at 11:59pm

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## SCHEDULE\*

### Introduction

January 16, 21, 23, 28, 30

- Feldstein: Chapters 1-3
- Papanicolas I, Woskie LR, Jha AK. Health Care Spending in the United States and Other High-Income Countries. *JAMA*. 2018, 319(10).
- Grossman M. On the Concept of Health Capital and the Demand for Health. *Journal of Political Economy*, 1972, 80(2).
- Murphy KM, Topel RH. The Value of Health and Longevity. *Journal of Political Economy*. 2006, 114(5).

### Insurance & Access

February 4, 6, 11, 13, 18, 20

- Feldstein: Chapters 6-9, 20
- Arrow K. Uncertainty and the Welfare Economics of Medical Care. *American Economic Review*, 1963, 53(5).
- Pauly M. The Economics of Moral Hazard. *American Economic Review*, 1968, 58(3).
- Manning W, Newhouse JP, Duan N, et al. Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment. *American Economic Review*, 1987, 77(3).
- Finkelstein A, et al. The Oregon Health Insurance Experiment: Evidence from the First Year. *Quarterly Journal of Economics*. 2012, 127(3).
- Polsky D, Candon M, Saloner B, Wissoker D, Hempstead K, Kenney GM, Rhodes K. Changes in Primary Care Access Between 2012 and 2016 for New Patients with Medicaid and Private Coverage. *JAMA Internal Medicine*. 2017, 177(4).

### Review and Midterm Exam

February 25, 27

### The Supply Side

March 3, 5, 17, 19, 24, 26, 31

- Feldstein: Chapters 10-12, 14-17, 19, 24, 25, 28, 35
- Friedberg MW, Chen PG, White C, et al. Effects of Health Care Payment Models on Physician Practice in the United States. *RAND Health Quarterly*. 2015, 5(1).
- Horrocks S, Anderson E, Salisbury C. Systemic review of whether nurse practitioners working in primary care can provide equivalent care to doctors. *BMJ*. 2002, 324.
- Munos B. Lessons from 60 years of pharmaceutical innovation. *Nature Reviews: Drug Discovery*. 2009, 8.

- Bishop TF, Press MJ, Keyhani S. Acceptance of Insurance by Psychiatrists and the Implications for Access to Mental Health Care. *JAMA Psychiatry*. 2014, 71(2).

### **Market Failures and Policy Solutions**

April 2, 7, 9, 14, 16, 21

- Feldstein: Chapters 5, 13, 18, 26, 30, 34, 36
- Brownson RC, Chriqui JF, Stamatakis KA. Understanding Evidence-Based Public Health Policy. *American Journal of Public Health*. 2009, 99(9).
- Murray R, King JS, Delbanco SF, Lehan M. The State of State Legislation Addressing Health Care Costs and Quality. *Health Affairs* Blog. August 22, 2019. Available [here](#).
- Anderson GF. The Courts and Health Policy: Strengths and Limitations. *Health Affairs*. 1992, 11(4).
- Ruger JP. The Changing Role of the World Bank in Global Health. *American Journal of Public Health*. 2005, 95(1).
- Anderson GF, Hussey P, Petrosyan V. It's Still the Prices, Stupid: Why the US Spends So Much on Health Care, and a Tribute to Uwe Reinhardt. *Health Affairs*. 2019, 38(1).

### **Review and Final Exam**

April 23, 28

### **Paper Due**

May 2

\*This is a tentative schedule. Changes will be announced in class.