

Brown University
Economics 136
Health Economics
Spring 2008

Prof. Anna Aizer
302A Robinson Hall
863-9529
Anna_Aizer@brown.edu
Office Hours: Monday 12:00-1:00

Course Description:

This course will survey the major topics in health economics. It is designed to introduce you to the issues, theory and practice of health economics. The majority of the course will focus on current empirical research in the field as it pertains to the US and course work will include empirical analyses based on existing health datasets using the software STATA. The topics include the economic determinants of health, social and economic inequalities in health, the market for medical care, the market for health insurance and the role of the government in health care. Those interested in studying health economics in the context of developing countries are urged to take courses with Professors Foster, Munshi or Pitt.

Class Meeting:

Monday 3:00 – 5:20
Smith-Buonanno 201

TA Section:

Pablo Suarez (Pablo_Suarez@brown.edu)
Wednesday 12:00-1:00 pm Watson CIT 265
Wednesday 7:00-7:50pm Watson CIT 265
Office Hours: Wednesday 3-4 and 2-4 before exams (Robinson Hall basement)

Readings:

Required reading consists of scholarly journal articles that will be posted on the course web page. Before class, you must email me three questions/comments for each article assigned. The questions may be technical or philosophical.

Grading:

Class and section attendance are mandatory – no exceptions. Your final grade for the course will be based on a midterm (15%), 3 homework assignments (45%), final exam (20%) and class participation (20%).

Introduction

Why health economics?

Identification Issues and Empirical Methods in Health Economics

Fixed effects, difference in differences and instrumental variables

Currie handout Methods for Evaluating Welfare Programs – pages 4-15

Background on the US health care system

De Lew, Nancy, Greenberg, George “A Layman’s Guide to the US Health Care System”
Health Care Financing Review Fall 1992

“The US Health System: A Primer” Publication of the Legislative Action Committee
American Medical Student Association, 1996.

1. Determinants of health (the production of health)

A model of the demand for health

Grossman, Michael (1972) “On the Concept of Health Capital and the Demand for Health” *Journal of Political Economy*

Dardanoni and Wagstaff (1987) “Uncertainty, Inequalities in Health and the Demand for Health” *Journal of Health Economics*.

The Health Endowment

Almond, Douglas, Chay, Ken and David Lee (2005) “The Costs of Low Birth Weight”
Quarterly Journal of Economics: 1031-1083.

Almond, Douglas (2006) “Is the 1918 Influenza Pandemic Over? Long-term Effects of In Utero Influenza Exposure in the Post-1940 U.S. Population” *Journal of Political Economy*.

SES gradients in health

Smith, James (1999) “Healthy Bodies and Thick Wallets: the Dual Relation Between Health and Economic Status.” *Journal of Economic Perspectives*.13(2).

Currie, Jane and Rosemary Hyson (1999) “Is the Impact of Health Shocks Cushioned by SES? The Case of Birth weight” *American Economic Review* May 89 (2): 245-250.

Currie, Janet and Nancy Cole (1993) "Welfare and Child Health: The Link Between AFDC Participation and Birth Weight," *The American Economic Review*, September, 1993, 83 (4): 971-985

Education

Currie, Janet and Enrico Moretti "Mother's Education and the Intergenerational Transmission of Human Capital: Evidence from College Openings" *Quarterly Journal of Economics*, November 2003.

Business cycles

Ruhm, Christopher (2000) "Are Recessions Good for Your Health?" *Quarterly Journal of Economics*.

Pollution

Neidell, Matthew (2004) "Information, Behavior and Biology: Using Responses to Smog Alerts to Understand the Relationship Between Ozone and Health" July 2004

Chay, Kenneth and Michael Greenstone (2003) "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession" August 2003, *Quarterly Journal of Economics*, 118(3)

Transforming Medical Care into Health

McClellan, Mark, McNeil, Barbara and Joseph Newhouse (1994) "Does more Intensive Treatment of Acute Myocardial Infarction in the Elderly Reduce Mortality?" *Journal of the American Medical Association (JAMA)* 272(11), 1994: 859-866.

Corman, Hope and Michael Grossman, (1985) "Determinants of Neonatal Mortality Rates in the US" *Journal of Health Economics* 4:213-236.

Intergenerational Transmission of Health and Inequality/The Gradient in Health

Currie, Janet and Enrico Moretti "Biology as Destiny? Short and Long Run Determinants of Intergenerational Transmission of Birthweight." NBER Working Paper 11567. August, 2005.

Case, Anne, Lubotsky, Darren and Christina Paxson "Economics Status and Health in Childhood: The Origins of the Gradient" *American Economic Review*, vol 92, no 5, 2002.

Almond, Doug and Kenneth Chay "The Long-Run and Intergenerational Impact of Poor Infant Health: Evidence from Cohorts Born During the Civil Rights Era" Mimeo 2003.

2. Health Externalities

Miguel, Edward and Michael Kremer (2001) "Worms: Education and Health Externalities in Kenya" NBER WP # 8481 (also published as Worms: Identifying Impacts On Education And Health In The Presence Of Treatment Externalities," *Econometrica*, 2004, v72(1,Jan), 159-217.)

Ahituv et al (1996) "The Responsiveness of the Demand for Condoms to the Local Prevalence of AIDS", *Journal of Human Resources* 31 (4)

Philipson, Tomas (1996) "Private vaccination and public health: an empirical examination for US measles" *Journal of Human Resources*. 31 (3).

3. Health Insurance

Effect of Health Insurance on demand and health

Manning, Willard; Newhouse, Joseph; Naihua, Duan; Keeler, Emmett; and Leibowitz, Arleen. "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment." *American Economic Review* 77 (June, 1987): 251-277.

Public health insurance

Currie, Janet and Gruber, Jonathan. "Saving Babies: The Efficacy and Cost of Recent Changes in the Medicaid Eligibility of Pregnant Women," *Journal of Political Economy*, 104, (6), December 1996.

4. Adverse Selection & moral hazard

Akerlof, George. "The Market for Lemons," *Quarterly Journal of Economics*, 84, August 1970: 488-500.

Rothschild, Michael and Stiglitz, Joseph. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90 (4), November 1976: 629-649.

Cutler, David. and Reber, Sara. "Paying for Health Insurance: The Trade-Off Between Competition and Adverse Selection," *Quarterly Journal of Economics*, May 1998:434-466.

5. The market for health insurance

Feldstein, Martin (1973) "The Welfare Loss of Excess Health Insurance" *Journal of Political Economy* part 1.

Health Insurance and the labor market

Farber, Henry and Helen Levy. "Recent Trends in Employer-Sponsored Health Insurance Coverage: Are Bad Jobs Getting Worse?" *Journal of Health Economics*, 19 (1), 2000: 93-119.

Madrian, Bridgett. "Employment Based Health Insurance and Job Mobility: Is there Evidence of Job-Lock?" *Quarterly Journal of Economics*, 109 (1), February, 1994: 27-54.

Mandated Benefits

Krueger, Alan, and Reinhardt, Uwe. "The Economics of Employer Versus Individual Mandates," *Health Affairs* 13 Spring (II) 1994: 34-53.

Summers, Lawrence (1989) "Some Simple Economics of Mandated Benefits" *American Economic Review*. May 1989.

Gruber, Jonathon (1994). "The Incidence of Mandated Maternity Benefits" *American Economic Review* 84(3). 1994:622-641.

Crowd-Out

Cutler, David and Jonathan Gruber "The Effect of Medicaid Expansions on Public Insurance, Private Insurance and Redistribution." *American Economic Review*. May 1996.

The Uninsured

Testimony of Diane Rowland of the Kaiser Family Foundation.

Kronick, Richard and Todd Gilmer "Explaining the decline in Health Insurance Coverage, 1979-1995" *Health Affairs* March/April 1999.

6. The supply side - Physician incentives and induced demand

Currie, Janet, Gruber, Jonathon, and Michael Fisher, (1995) "Physician Payment and Infant Mortality: Evidence from Medicaid Fee Policy." *American Economic Review* 85(2), 1995:106-111.

Gruber, Jonathan and Maria Owings "Physician Financial Incentives and the Diffusion of C-Section Delivery." *Rand Journal of Economics* 27 (1996) pp99-123.

Farley (1986) "Theories of the Price and Quantity of Physician Services: A Synthesis and Critique" *Journal of Health Economics*.

Hirsch, Barry and Edward Schumacher (1995) "Monopsony Power and Relative Wages in the Labor Market for Nurses" *Journal of Health Economics* 14:443-476.

John A. Rizzo; Richard J. Zeckhauser (1992) "Advertising and the Price, Quantity, and Quality of Primary Care Physician Services" *The Journal of Human Resources*, Vol. 27, No. 3, pp. 381-421

7. Medical malpractice

Kessler, Daniel and Mark McClellan "Do Doctors Practice Defensive Medicine?" *Quarterly Journal of Economics* May 1996.

Chandra, Amitabh et al (Jan-June 2005) "The Growth of Physician Medical Malpractice Payments: Evidence from the National Practitioner Data Bank" *Health Affairs*: 24: 240-249.

8. Managed Care

Cutler, David M., McClellan, Mark; Newhouse, Joseph P. "Prices and Productivity in Managed Care Insurance." NBER Working Paper No.w6677, August 1998

Baker, Lawrence "Managed Care and Technology Adoption in Health Care: Evidence from Magnetic Resonance Imaging" *Journal of Health Economics* 2001

Simon, Carol and Patricia Born (1996) "Physician Earnings in a Changing Managed Care Environment." *Health Affairs* 15(3): 124-133.

Gazmarian, Julie, et al. (1996). "Lengths of Stay After Delivery: Managed Care Versus Fee-for-Service," *Health Affairs* 15(4): 74-80.

Hadley, Jack and Jean Mitchell. (1997). "Effects of HMO Penetration on Physicians' Work Effort and Satisfaction," *Health Affairs* 16(6): 99-111.

Hillman, Alan et al. (1989). "How Do Financial Incentives Affect Physicians' Demand Decisions and the Financial Performance of Health Maintenance Organizations?" *New England Journal of Medicine* 321(2): 86-92.

9. Hospitals

Kessler and McLellan "Is Hospital Competition Socially Wasteful?" *Quarterly Journal of Economics*, May 2000.

McLellan and Staiger "Comparing Hospital Quality at For-Profit and Not-for-Profit Hospitals" NBER working paper # 7324

Becker and Sloan (1985) "Hospital Ownership and Performance" *Economic Inquiry* Vol 23, January 1985.

Duggan, Mark. (2000) "Hospital Ownership and Public Medical Spending." *Quarterly Journal of Economics* 115.

10. Racial Disparities in health

Almond, Douglas, Chay, Kenneth and Michael Greenstone (2003) "Civil Rights, the War on Poverty, and Black-White Convergence in Infant Mortality in the Mississippi." Mimeo, University of California Berkeley.

Chandra, Amitabh, and Jonathan Skinner (2003) "Geography and Racial Health Disparities" NBER # 9513

Blendon et al (2007) "Disparities in Health: Perspectives of a Multi-Ethnic, Multi-Racial America" *Health Affairs*. 26 (5): 1437.

11. Obesity

Anderson, Michael and David Masta (2007) "Are Restaurants Really Supersizing America?" mimeo UC Berkeley

12. The Value of Life

Viscusi, Kip "The Value of Risks to Life and Health" *Journal of Economic Literature*, vol 31, no 4 (Dec 1993).

Ashenfelter, Orley and Michael Greenstone "Using Mandated Speed Limits to Measure the Value of a Statistical Life" *Journal of Political Economy*, Vol 11, no 1, pt 2 (2004)

Davis, Lucas. "The Effect of Health Risk on Housing Values: Evidence from a Cancer Cluster," *American Economic Review*, 2004, 94(5), 1693-1704.

13. Smoking

Manning, W et al "The Taxes of Sin" *Journal of the American Medical Association (JAMA)*. March 17, 2989. pp1604-1609.

Becker, Gary, Grossman, Michael and Kevin Murphy (1994) "An Empirical Analysis of Cigarette Addiction." *American Economic Review*.

14. Mental Health

McLeod, JD and MJ Shanahan "Poverty, Parenting and Children's Mental Health" *American Sociological Review*, 58 #3, 1993.

Ettner, S, Frank, R and R. Kessler. "The Impact of Psychiatric Disorders on Labour Market Outcomes" *Industrial and Labor Relations Review*, 1997, 51, no 1., pp 64-81.

Lipman, Ellen, Offord DR and MH Boyle "Economic Disadvantage and Child Psychosocial Morbidity" *Canadian Medical Association Journal*, 151 (1994) pp 431-437.

15. Alternative Health Care Systems

Cutler, David and Elizabeth Richardson "The Value of Health" *American Economic Review*, May 1998:97-100.

Brown, Lawrence (2003) "Comparing Health Systems in Four Countries: Lessons for the US" *American Journal of Public Health* 93 (1): 52-55.

Starfield, Barbara (2000) "Is the US Health Care System Really the Best in the World?" *JAMA* 7/26/2000. vol284 (4): 483-486.

Blendon, Robert J.; Benson, John; Donelan, Karen; et al. 1995. "Who Has the Best Health Care System? A Second Look." *Health Affairs*, 14 (4): 220-230.

Fuchs, V. and Hahn, J. "How Does Canada Do It? A Comparison of Expenditures for Physicians' Services in the U.S. and Canada," *New England Journal of Medicine*, Sept 1990.

Iglehart, J.K. "Germany's Health Care System," *New England Journal of Medicine*, 1991.