

**The Economics of Health Care and Health Policy**  
**Tuesdays 8:30 am-11:20am**  
**Johnson Hall of Nursing**

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**Course Description**

This course explores the allocation and distribution of resources in the health care industry. Using economic principles, this course examines the analyses of health outcomes, the health care sector and health policy issues. The topics covered will include the demand for health care, health insurance, hospitals and hospital care, and the services of healthcare professionals. The health outcomes studies will include analyses of studies on obesity, race and socioeconomic status on child and adult health. Since the government has an important influence as a payer and regulator, considerable attention is devoted to the role of the government, in providing health insurance or health services. Though the primary focus is on health service provision in the United States extensive comparisons are made to healthcare systems in other developed nations. This course also introduces the student to the unique economic challenges of financing and developing effective health services in developing countries. Students that take this class are expected to participate in class discussions on assigned journal articles. They are also expected to develop and execute a research idea of their own and to become critical reviewers of the research ideas of their peers. The course is especially suitable for students who are considering a career in a health profession, in health management or administration, health policy, or in public policy with a strong emphasis on healthcare.

**Instructor:** Dr. Susan Chen  
**Telephone:** 765-494-7545  
**E-mail:** [sechen@purdue.edu](mailto:sechen@purdue.edu)  
**Office Hours:** 11:30-12:30 (after class at the nursing school)  
**Appointments:** Contact Ms. Halsema at [mhalsema@purdue.edu](mailto:mhalsema@purdue.edu)

**Text and Materials:***Required Text:*

- James W. Henderson, *Health Economics & Policy* (3<sup>rd</sup> Edition), 2002.

*Background Text (not required):*

- Anne C. Haddix, Steven M. Teutsch, Phaedra A. Shaffer, Diane O. Dunet, *Prevention Effectiveness: A Guide to Decision Analysis and Economic Evaluation*, 1996.

**Objectives of the Course:**

By the end of this course, students will

1. Be competent in the basic vocabulary of economics, particularly the concepts most often used to discuss the health care sector
2. Analyze health care issues using an economic framework
3. Be aware of the strengths and limitations of the economic point of view
4. Be better able to understand economists' descriptions of the health care sector, which will help them to become more literate health care managers
5. Be able to evaluate the quality of health economic studies

**Contacting The Professor Via Email:**

I will make every effort to respond to emails quickly; however, allow 24 hours for a response to an email. I cannot guarantee that if you email me the night before something is due, that I will be able to respond in time for it to make a difference in terms of your assignment. Additionally, I

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encourage you to work with other class members to ask questions, as other students may have similar concerns.

**Course Policies**

- Grades will be based on six components: assignments (20%), midterm (30%), term paper (25%), and paper presentation (15%) and class participation (10%). In addition, I expect regular attendance and participation.
- The paper must be on a topic related to the class. The essential component of the term paper is the combination of empirical data and theoretical reasoning. The paper will be developed in conjunction with the course instructor, and its completion must follow the schedule outlined below (tasks 1 through 4).
- All university rules regarding academic integrity apply. Please refer to the following website for more details: <http://www.purdue.edu/ODOS/osrr/integrity.htm>

**Course Requirements:**

The main requirements for the course are:

1. Assignments. There will be five problem sets. You should work in groups of up to three, and hand in one set of answers per group. Working in groups is optional; you may also work alone. The problem sets will be due AT THE BEGINNING of class. I DO NOT ACCEPT LATE PROBLEM SETS AT ALL.
2. RESEARCH PAPER PRESENTATION. Each group will give a 15-minute presentation of its research paper in class at the end of the semester (see below for dates). These classes are MANDATORY for all enrolled students; if you do not attend, I will deduct points from your grade.
3. MIDTERM. The midterm exam will be a closed book, in-class exam. Please notify me by **October 14** about any foreseeable conflicts with the midterm; after the first week, make-ups will be allowed only for serious medical or personal problems and a note from a Class Dean will be required.

**Reading Assignments:**

The primary text for the course is James W. Henderson, *Health Economics and Policy*, Third Ed., Thomson/South-Western, 2005. The book is available online. In addition to the textbook, articles listed on the syllabus are also required reading for the course. I will try to get the articles on WebCt.

IN-CLASS READINGS: Each week I will appoint two people to lead the discussion of articles assigned for that week. Their responsibility will be to:

1. prepare outline(s) of the article(s).
2. prepare 5 questions which will elicit discussion of the article(s).
3. ensure that all the other students in the class have the article(s) before class.
4. encourage their classmates to read the article(s) before class.

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**Project required for course**

With the aim of moving from theory to application, this course is intended to provide graduate students with a set of research tools for designing, conducting and interpreting economic analyses related to health economics.

You can either work on a project on your own or you can pair up with another person. Each team will propose a topic of interest and carry out a variety of analytical tasks including a literature review, acquisition and analysis of data, and preparation of a presentation and final report. Students who take this course will gain 'real world' experience in carrying out analyses that can influence policy and everyday decision making in health economics.

**Late papers will result in a penalty of one half of a grade per day and will not be accepted more than 3 days late.**

**Schedule for Project Completion**

September 18, 2007. Task 1. Identify an area that you would like to study, find a scholarly article and schedule a 30 minute meeting to discuss your area of interest and the paper with the instructor BEFORE THIS DATE.

October 2, 2007. Task 2: If you are using data, choose a dataset that you would like to use for your analysis. Write up an outline of the topic and a short review of the paper you would like to extend or reproduce, and the dataset you will use to do this.

October 16, 2007. Task 3: Select your sample and prepare descriptive statistics for the sample that relates to your study. Describe what you find. Please put your results in tables (as you would for a journal article) and clearly describe your preliminary findings. Also prepare a short abstract of your paper which you will present in class on this day. Your abstract presentation should be 5 minutes long.

November 27, 2007. Task 4: The first draft of your paper should be ready today to distribute to your classmates. This draft should incorporate all comments made by your instructor and peers over the course of the semester. It should also have any final empirical analysis that you need to do.

December 4, 2007: Paper presentation – 15 minutes long.

December 12, 2007: Last day to hand in final paper.

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**Schedule of Assignment Due Dates**

<b>Date</b>	<b>Topics</b>	<b>Material &amp; Reference</b>	<b>Assignments are due the week after they are handed out</b>
Aug 21	1		
Aug 28	2		
Sept 4	3		Assignment 1
Sept 11	4		
Sept 18	5		Paper: Task 1
Sept 25	6		Assignment 2
Oct 2	7		Paper: Task 2
Oct 9		NO CLASS – FALL Break	
Oct 16	8	<b>Short Paper Presentations of Student Abstract</b>	Paper: Task 3
Oct 23	9		Assignment 3
Oct 30	10		
Nov 6	11		
Nov 13	12		Assignment 4
Nov 20		<b>Midterm Exam</b>	Assignment 5 (due after Thanksgiving)
Nov 27	13		Paper: Task 4
Dec 4		<b>Student Presentations of Final Paper</b>	
Dec 11	<b>FINAL PAPER DUE IN MY OFFICE BY 5PM</b>		

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**COURSE OUTLINE AND READINGS:****PART I: INTRODUCTION, HEALTH ECONOMICS DEFINED, AND ETHICS****Tues., Aug. 21:***0. Administrative Matters**1. Introduction*

- Henderson, Ch. 1
- 2. Background on Health Care and Health in the U.S.*
  - Henderson, Ch. 1
  - U.S. Department of Health and Human Services, *Health, United States, 2006, Chartbook on Trends*, Washington, D.C.: National Center for Health Statistics, 2004, just pages 20-49.
  - Banks, James, Marmot, M. Oldfield, Z and James P. Smith “Disease and Disadvantage in the United States and in England” *JAMA* (295), 2006, pp. 2037-2045.
- 3. Economic Concepts I*

- Henderson, Ch. 2

**Tues., Aug. 28:***1. Economic Concepts II*

- Henderson, Ch. 2
- Micro textbook I will put on reserve in Krannert.

**Tues., Sept. 4: (ASSIGNMENT #1 DUE)***2. Demand for Health and Medical Care*

- Henderson, Ch. 5

**PART II: PRIVATE AND PUBLIC HEALTH INSURANCE****Tues., Sept. 11:***1. Effect of Health Insurance on Demand for Health Care* Henderson, Ch. 5, pp. 141-143

Watch online in class: “Private Health Insurance,” KaiserEDU.org tutorial:

[http://www.kaiseredu.org/tutorials\\_index.asp#Private](http://www.kaiseredu.org/tutorials_index.asp#Private)

*2. Demand for Health Insurance*

- Henderson, Ch.6, pp. 154-168
- Willard G. Manning, et.al., “Health insurance and the demand for medical care: Evidence from a randomized experiment,” *American Economic Review* 77(3), 1987, pp. 251-277.

**Tues., Sept. 18: (PAPER TASK 1 DUE)***1. Managed Care*

- Henderson, Ch. 7
- Robert H. Miller and Harold S. Luft, “Does managed care lead to better or worse quality of care? A survey of recent studies shows mixed results on managed care plan performance,” *Health Affairs*, 16(5), 1997, pp. 7-25.
- Watch in class if I can find it. “The high price of health” Watch in class and discuss

**Tues., Sept. 25: (ASSIGNMENT #2 DUE)***1. Medicare*

- Henderson, Ch. 14, pp. 345-353

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- John Iglehart, “The American Health Care System: Medicare,” *The New England Journal of Medicine* 340(4), 1999, pp. 327-332.
- Watch online in class: “Medicare 101,” KaiserEDU.org tutorial:  
[http://www.kaiseredu.org/tutorials/Medicare101\\_2006/player.html](http://www.kaiseredu.org/tutorials/Medicare101_2006/player.html)
- Henderson, Ch. 11
- 2. *Medicaid*
- Henderson, Ch. 14, pp. 353-359, and Ch. 6, pp. 169-180
- Jonathan Gruber, “Policy watch: Medicaid and uninsured women and children,” *The Journal of Economic Perspectives* 11(4), 1997, pp. 199-208.
- Watch in class online: “Medicaid 101,” KaiserEDU.org tutorial:  
<http://www.kaiseredu.org/tutorials/medicaidbasics/medicaid.html>

**PART III: COST CONTAINMENT OF HEALTH CARE**

**Tues., Oct. 2: (PAPER TASK 2 DUE)**

1. *Cost containment in Private Health Insurance*

- Henderson, Ch. 17

2. *Cost Containment in Public Health Insurance*

- Henderson, Ch. 15
- David Cutler, “Restructuring Medicare for the Future,” in *Setting National Priorities: Budget Choices for the Next Century*. Washington, D.C.: Brookings Institution Press, 1997, pp.197-233.
- 3. *Do More Prescriptions Lead to Lower Costs?*
- Henderson, pp.329-343
- Ernst Berndt, “Pharmaceuticals in U.S. Health Care: Determinants of Quantity and Price,” *The Journal of Economic Perspectives* 16(4), 2002, pp. 45-66.
- Watch in class “Breakdown: America’s Health Insurance Crisis” (45min)

**Tues., Oct 16: (PAPER TASK 3 DUE)**

1. *Medical Malpractice*

- Henderson, Ch. 12
- Chandra, Amitabh, Shantanu Nundy, and Seth Seabury, "The Growth of Physician Medical Malpractice Payments: Evidence from the National Practitioner Data Bank," *Health Affairs Web Exclusive*, May 31, 2005, pp. W5240-W5249.

2. *Consolidation in health care markets*

- Henderson, Ch. 9, just pp. 228-243
- Martin Gaynor and Deborah Haas-Wilson, “Change, consolidation, and competition in healthcare markets,” *Journal of Economic Perspectives* 13(1), 1999, pp. 141-164.

**PRESENT ABSTRACT IN CLASS**

**PART IV: ECONOMIC STUDIES OF HEALTH OUTCOMES**

**Tues., Oct. 23:**

1. *Wealth and Health (ASSIGNMENT #3 DUE)*

- James P. Smith, “Healthy bodies and thick wallets: The dual relationship between health and economic status,” *Journal of Economic Perspectives* 13(2), 1999, pp. 145-166.
- Kenneth Chay and Michael Greenstone, “The Convergence in Black-White Infant Mortality Rates during the 1960’s,” *The American Economic Review* 90(2), 2000, pp. 326-332.

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- Watch in class: “Race, Ethnicity, and Health Care,” KaiserEDU.org tutorial:  
[http://www.kaiseredu.org/tutorials/race-ethnicity/cayatutorial2\\_updatedbuttons.html](http://www.kaiseredu.org/tutorials/race-ethnicity/cayatutorial2_updatedbuttons.html)
- Watch in class: “The Angry Heart: The Impact of Racism on Heart Disease Among African Americans”

**Tues., Oct. 30:**1. *The Very Young*

- David M. Cutler, “Success and failure at the beginning of life,” in *Your Money or Your Life: Strong Medicine for America’s Health Care System*, Oxford University Press, 2004, pp. 22-31.

2. *Obesity*

- Mokdad et al. “The Spread of the Obesity Epidemic in the United States, 1991-1998,” *Journal of the American Medical Association* 282(16), 1999, pp. 1519-1522.
- Kitt Carpenter, “Sexual Orientation and Body Weight: Evidence from Multiple Surveys,” *Gender Issues* 21(3), 2004, pp. 60-74.
- New England Journal of Medicine

**Tues., Nov. 6:**1. *Benefit Cost Analysis: Pricing the Priceless*

- Henderson, Ch. 3, Ch. 4 pp. 101-107
- David M. Cutler and Elizabeth Richardson, “Your money or your life: The value of health and what affects it,” *NBER Working Paper* #6895, 1999.
- Case study: “Matters of Life and Death: Defunding Organ Transplants in the State of Arizona”
- Watch in class: “Matters of Life and Death: Defunding Organ Transplants in the State of Arizona” Documentary, Chan. 12 News, Arizona
- James S. Marks, Jeffrey P. Koplan, Carol J.R. Hogue, Michael E. Dalmat, 1990, “A Cost-Benefit/Cost-Effectiveness Analysis of Smoking Cessation for Pregnant Women,” *American Journal of Preventive Medicine* 6(3), pp. 282-289.

**PART IV - SUPPLY OF HEALTHCARE PROFESSIONALS AND SERVICES****Tues., Nov. 13: (PROBLEM SET #4 DUE)**1. *Supply of Healthcare Professionals*

- Foster, Stuart A. and Gorr, Wilpen L. “Federal health care policy and the geographic diffusion of physicians: A macro-scale analysis” *Policy Sciences* 25(2) 1992
- Aiken, Linda H., Clare, Sean P., Sloane, Douglas M., Sochalski, Julie and Jeffrey H. Silber “Hospital Nurse Staffing and Patient Mortality, Nurse Burnout, and Job Dissatisfaction” *JAMA* 288(16) 2002

**Tues., Nov. 20: (PROBLEM SET #5 DUE AT THE END OF THE WEEK)**1. *MIDTERM EXAM***Tues., Nov. 27: (PAPER TASK 4 DUE)**1. *Review, Catch Up and Further Topics***Tues., Dec., 4: 1. STUDENT PAPER PRESENTATIONS**