Why is health care such a difficult policy area? Why has the United States just dramatically altered the way in which it finances health care? Why is health care so expensive? What incentives does the American health care system create for the different actors in the system, and how can we measure the impact of those incentives? Why do health care markets tend to be inefficient and unjust? What are major psychological biases in health care behavior? How can we evaluate health care outcomes? What are some of the main policy proposals for reforming the American health care system? This course examines major topics in the economics of health care policy, including selection, moral hazard, bargaining power, measuring the impacts of different policies, consumer behavior, provider behavior, and the psychology of health policy. It places particular emphasis on empirical studies of health care in professional economics journal articles. Prerequisites: Pad 503 and 505, or equivalent exposure to microeconomics and statistics.

In the first half of the course, we will examine the challenges confronting health care policy. What are the main problems that health policy needs to address? One of the main conclusions of this part of the course is that there is a very strong rationale for government intervention in health care markets. (Empirically, governments show a very strong willingness to intervene in this sector.)

When governments set health policy, though, they do not have the informational advantages that markets have at setting prices and quantities. An enormous challenge for health care policy is measuring the impacts of different policies, or even of different procedures. The second half of the course will look at the challenges in evaluating health policy and undertaking cost-effectiveness analysis.

Note: This course is designed to complement RPAD 644: Health Care Finance. The courses can be taken independently, but we assume that many students will take both.
Note: I am reserving the last few weeks of class to cover the early implementation of the Affordable Care Act. I expect the papers we study will be written between now and then.

Office Hours

While I prefer for you to come to my regular office hours, I am happy to schedule appointments if you cannot come at that time. Let me rephrase: I expect and encourage you to schedule appointments if you cannot come at that time. You must e-mail me (sweinberg@albany.edu) to schedule an appointment.

Grading

Each assignment will receive a letter grade from A to E. I translate these grades into a 4pt scale, with A = 4.0, A- = 3.66, B+ = 3.33, B = 3.0, B- = 2.66, and so on. At the end of the semester, I take a weighted average of all your grades to get your final score. The translation from this score to a final letter grade is not a matter of simple rounding. The cut-off between an A and an A- is a 3.70. The cut-off between a B and a B- is a 3.00. The cut-offs between an A- and a B+ and between a B+ and a B will be selected in part based on the distribution of scores in the class. Hopefully I won’t need to use any grades lower than a B-, but that is up to you....

Plagiarism and Citations

I assume you are familiar with American standards regarding plagiarism. You must familiarize yourself with the information at http://library.albany.edu/usered/plagiarism/index.html. Plagiarism is a major offense and can receive severe punishments, from automatically failing the course to being expelled from the program. If in doubt about acceptable use of sources, ask.

Correct citations are one of the more important elements in avoiding plagiarism. When you use a source in a memo, make sure to cite it using any standard academic citational method. (I personally prefer the author-date parenthetical citation method used in economics, but I see no reason to force you to adopt economic norms.) Two things I do care about, no matter which standard you adopt: a) the titles of sources do not belong in the main text of your paper, but rather in the Works Cited page or a footnote, and b) article titles go in quotes; book and journal titles go in italics.

The key to a citation is that the reader must be able easily to track down the source.

Web Citations: It is helpful to the reader to include URLs on the Works Cited page for material located on the internet, assuming that the URL is permanent and that the website is universally accessible. You would NOT provide URLs for published journal articles you have accessed through the library, but you would provide a URL for a government report or for a working paper downloaded from an author’s website. Some conventions call for including the date you accessed internet materials; these conventions are necessary in increasingly rare circumstances. There is a distinction between material that exists in a final, dated form that happens to be located on the internet and material from fluid web sites. If something is fixed, such as a journal article, dated working paper, or government report, then you do NOT need to report the date you accessed the information; simply report the date
of the document itself. If something could be changed at any moment, then you must report the date you accessed the website.

Grammar Help

For the individual assignments, you should feel free to seek help in proof-reading your drafts, provided that a) you make all changes yourself, and b) you acknowledge any such help explicitly on the first page of your assignment.

Incidentally, I find the Grammar Girl blog to be a useful resource: [http://grammar.quickanddirtytips.com/](http://grammar.quickanddirtytips.com/).

Collaboration

I encourage you to discuss the homework with your peers, provided that

a) you attempt every assignment on your own before discussing them with colleagues;

b) you write up your own individual assignments from scratch, without looking at your colleagues’ work while you do it; and

c) that you explicitly acknowledge whom you worked with on the first page of the assignment. *Copying a colleague’s work directly is cheating.*

Grades

30% Weekly quizzes on the reading (score your best 11 quizzes)

20% Problem Sets (do 2 of 2)

20% Short papers (do 2 of 3)

30% Final Exam

**Weekly Quizzes:** Each class (except the first day and the last day) will start with a 20-minute quiz on that week’s readings. I will give you a reading guide each week that tells you what material is “fair game” for the quiz. Only your best 11 quizzes will be scored; the others will be dropped. I will convert each quiz grade into a 4-point scale and record the average over those 11 quizzes as your grade for this part.

**Problem Sets:** there will be two problem sets, requiring math at the level of high school algebra, as well as some familiarity with Excel. Each problem set is worth 10% of the course grade.
Short Papers: You must write two 5-to-6-page papers (plus exhibits) that discuss and synthesize the course readings. There will be three options. You must decide in advance which assignments you will do; you cannot turn in all three and drop the lowest. Each paper is worth 10% of the course grade.

Final Exam: There will be a final exam during finals week. The Powers That Be will schedule the exam. Almost certainly, they’ll schedule it for the normal class time in the normal class room, but in principle they could schedule it for any time during exam week.

Texts (available at Mary Jane Books):


Sunstein, 2005, *Laws of Fear: Beyond the Precautionary Principle*²

Other readings will all be available on-line, either through a link provided in the syllabus, through the library website,³ or through the course website. You should never need to photocopy things, or request articles through ILL. If you think that an article is NOT available on-line, e-mail me.

NOTE WELL: NBER working papers can be accessed through nber.org. If you try to access them from off-campus, they will ask you to pay for the article. If you scroll down a bit, you’ll see information for people who think they can get free copies. If you give them your albany.edu e-mail address, they will send you a link to a free copy.

---

¹ This is the same textbook used in HPM 635, a course that goes into much more depth on health program evaluation. (They spend the entire semester on material we spend three weeks on.)

² OK, this one isn’t about health care specifically, but it’s directly applicable.

³ I strongly recommend using the Journal Finder link on the library webpage, which can find things the other library search engines (like EBSCO) can’t find. It’s on the left-hand side of the library website, currently in between eDiscover Beta and Instructions and Tutorials. Or go right there: [http://xg9ax2jm9j.search.serialssolutions.com/](http://xg9ax2jm9j.search.serialssolutions.com/). Some librarians don’t seem to be aware that there are gaps in the search engines they recommend. Note that, with the journal finder, you’re searching for the journal and not the article. Once you’ve accessed the journal, you can track down the specific reading.
NOTE WELL: we will read only selected pages of most articles. Pay CLOSE attention to the posted reading guides each week BEFORE you start reading. Any changes in the assigned reading will be announced through the reading guide!

Unit I: Market Failures in Health Care

1. Jan 22: Introduction

2. Jan 29: Health Inequality, Healthcare Inequality, and Externalities
   d. Cutler et al, 2008, Socioeconomic Status and Health: Dimensions and Mechanisms,” NBER 14333

3. Feb 5: Moral Hazard and Adverse Selection
   b. Newhouse and Sinaiko, 2008, “What We Know and Don’t Know about the Effects of Cost Sharing on the Demand for Medical Care—and So What?” in Sloan and Kasper, ch4
4. Feb 12: Confusion
   d. Gigerenzer reading
   e. Cutler et al, 2013, “Physician Beliefs and Patient Preferences: a New Look at Regional Variation in Health Care Spending,” NBER 19320

5. Feb 19: Physician Incentives

6. Feb 26: Market Power
7. Mar 5: Risk Perception  
a. Paper 1 due  
b. Sunstein, Laws of Fear, chapters 1-6, 8

8. Mar 12: Market Design and Healthcare  
a. Handout on Present Discounted Value  
b. Cutler, Your Money or Your Life, ch2-3  
http://www.cramton.umd.edu/papers/health-care/  
f. proposed auction design for Medicare

Unit II: Measuring the Effects of Healthcare Policy

Mar 19: SPRING BREAK

9. Mar 26: Cost-Effectiveness Analysis I  
a. Paper 2 due  
b. Drummond et al, chapters 2.1, 2.2, 3, 4.1, 4.3  

10. Apr 2: Cost-Effectiveness Analysis II  
a. Drummond et al, chapters 5 (skip 5.6), 7.1-7.2, 10.3, 10.4.1  

11. Apr 9: Cost-Effectiveness Analysis III  
a. Problem Set 1 due  
b. Group A reads

ii. US Preventive Services Task Force, 2009, “Screening for Breast Cancer:
US Preventive Services Task Force Recommendation Statement,” Annals
of Internal Medicine 151: 716-726,
http://www.annals.org/content/151/10/716.full.pdf+html

Prevent Services Task Force,” Annals of Internal Medicine 151: 727-737
http://www.annals.org/content/151/10/727.short

Different Screening Schedules: Model Estimates of Potential Benefits and
Harms,” Annals of Internal Medicine 151: 738-47,

New England Journal of Medicine (September 9) 363: 1076-1079,

vi. Kahn and Luce, 2003, “Understanding High-Stakes Consumer Decisions:
Mammography Adherence Following False-Alarm Test Results,”
Marketing Science 22(3): 393-410

c. Group B reads:

(August 18): http://prescriptions.blogs.nytimes.com/2009/08/18/the-
problem-with-prevention/

Money? Health Economics and the Presidential Candidates,” New
England Journal of Medicine 358: 661-663,

http://jpubhealth.oxfordjournals.org/content/32/3/440

Services: Results of a Systematic Review and Analysis,” American


12. Apr 16: the Effects of Insurance on Healthcare Utilization and Health

13. Apr 23: Government Pricing
e. paper on spill-over effects of Medicare pricing on Managed Care pricing
14. Apr 30: the Affordable Care Act I
   a. Problem Set 2 due
   d. TBW

15. May 7: The Affordable Care Act II; course review
   a. Paper 3 due
   b. TBW

16. sometime during exam week, probably May 14: final exam