

# THE ECONOMICS OF HEALTH AND HEALTHCARE

Spring 2024

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<b>Instructor:</b> Shyam Raman	<b>Time:</b> T/R, 8:30a - 9:45a
<b>Email:</b> <a href="mailto:sr21@williams.edu">sr21@williams.edu</a>	<b>Place:</b> Hopkins Hall 001

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## 1 Important stuff

**Student hours:** T/R, 1-4p, Schapiro 203, or by [appointment](#).

**Communication policy:** Only contact me via email, with **ECON 230** in subject line.

**Extension policy:** Letter grade deduction (4%) every 24 hours past due date.

**Grading policy:** No ad hoc final grade changes. Aggregate grade inflation will be included in posted grade.

**Attendance policy:** You are expected to be in class for every session.

**Withdrawal date:** The last day to withdraw with a **W** is April 12th.

**Prerequisites:** ECON 110 and a class in statistics.

## 2 Course summary

What is health? How do we improve it? Health is an essential component of individual well-being and a fundamental input to a productive economy, making its production a societal priority, as well as an individual one. This course examines the economics of the supply and demand for health through applied microeconomic analysis. The course focuses on three broad areas: the inputs to health and the demand for health care; the structure and functioning of health care markets and the roles of key institutions; and the role of public policy in furthering individual and population health. Special attention will be devoted to topics of current policy interest, including health disparities, problems of health care costs and cost containment, health insurance reform and the Affordable Care Act, the role of public health interventions, and drug development and regulation.

As governments play a central role in determining the structure of health care markets, we will center discussions around the role of public policy in health and health care. We will discuss how we can address market failures in health care markets, including the role of public insurance in addressing adverse selection and moral hazard, and the role of public policy in addressing externalities in health care markets.

### 2.1 Learning goals

My goal in this course is to provide you with a framework for thinking about health and health care from an economic perspective. By the end of the course, you should be able to:

- Identify factors affecting individual and population health
- Understand the demand for and supply of health care, using an economic lens
- Identify the fundamentals of resource allocation in the U.S. health care system
- Understand the the incentives borne by economic agents in health care markets.
- Analyze and evaluate the role of public policy in health and health care
- Recognize and communicate the complexities of market failures in health care markets

## 2.2 Required textbooks and course materials

- Andrew Friedson, *Economics of Healthcare: A Brief Introduction*, Cambridge University Press, 2023.
- Jonathan Gruber and HP Newquist, *Health Care Reform*, Hill and Macmillan, 2011.
- Additional readings will be posted on the course GLOW site and available in the course reader.

## 3 Classroom policies

### 3.1 Honor code and academic integrity

As in all courses at Williams, I expect all students to act in accordance with the Statement of Academic Honesty, which is available online [here](#). For each assignment above I discussed the extent to which collaboration is allowed. I encourage you to discuss the course outside of class. However, all written work must be your own product. If you have any questions about the appropriateness of any form of collaboration, please consult me.

For all papers, I expect appropriate attribution of source material. In economics we use in-text citations with a references page (not counted as part of the page limit). Further information on citation methods will follow as part of the first paper assignment. Pay particular attention to citations of online sources—I must be able to find the source from the location you provide.

### 3.2 Inclusivity and respect

The Williams community embraces diversity of age, background, beliefs, ethnicity, gender, gender identity, gender expression, national origin, religious affiliation, sexual orientation, and other visible and non visible categories. I welcome all students in this course and expect that all students contribute to a respectful, welcoming and inclusive environment. If you have any concerns about classroom climate, please come to me to share your concern.

*I do not want to be complicit in your discomfort. If you feel uncomfortable or otherwise marginalized by something in class, please let me know via the anonymous Comment Box form. I will do my best to address your concerns, and I will not share your identity with anyone else under any circumstances.*

### 3.3 Some unsolicited advice

*With gratitude to my colleague Matthew Gibson for articulating these principles so well that I include them almost verbatim from his syllabus:*

1. My respect for a student is not contingent on ability.
2. You need not be the best at something to contribute valuable work, or to enjoy it.
3. If you never volunteer an incorrect answer in class, you aren't taking enough risks.
4. It is not only normal, but also good and useful to begin a problem with no idea how you will solve it. If you train yourself to respond to a tough problem with patient fascination, rather than fear of failure, that will serve you well.

## 4 Assignments and evaluation

### 4.1 Quizzes

There will be four quizzes throughout the semester, each worth 40 points (32% of your final grade). These quizzes will be administered at the beginning of class on the dates listed in the course schedule below. The quizzes will be closed-book, closed-notes, and will be 30 minutes long. The quizzes will be a mix of multiple choice and short answer questions, based on the readings and lectures for the previous weeks.

## 4.2 Policy briefs

There will be three policy briefs due over the course of the semester. These briefs will be 2-3 pages long and are worth 75 points (15% of your final grade) each. You will be expected to write a brief memo to a policymaker, summarizing the key economic issues and policy options for a given topic. You will be graded on the clarity of your writing, the accuracy of your economic analysis of the literature discussed in class, and the quality of your policy recommendations.

The rubric for these briefs will be as follows:

Clarity of writing .....	20
Appropriately cited evidence .....	25
Relevant exhibits with citations .....	20
Policy recommendations .....	10
<b>Total .....</b>	<b>75</b>

These briefs will be due on the dates listed in the course schedule below. Late policy briefs will be penalized 4% (one grade step) per day late.

## 4.3 Midterm

There will be a closed-book, closed-note, 2-hour long midterm exam on Thursday, March 14th at 6p. The midterm will be worth 100 points (20% of your final grade). The midterm will be a mix of multiple choice and short answer questions, based on the readings and lectures for the first half of the semester.

## 4.4 Participation

There will be 15 points (3% of your final grade) awarded for participation in class. This will be based on your engaged participation in class discussions. You are expected to be in class for every session.

## 4.5 Evaluation

Your grade will be determined according to the following grading scheme:

Quizzes (x4) .....	32%
Policy briefs (x3) .....	45%
Midterm .....	20%
Participation .....	3%

The average grade at the college has risen considerably in the past decade, and I am committed to maintaining the rigor of this course. I believe every student is capable of earning an A in this class, but I will not inflate grades to achieve this outcome. I have set the overall difficulty of this course at a level which leads to an average grade of approximately 3.3 (B+) on a 4.0 scale. You should set your expectations and study habits accordingly.

## 5 Course schedule

The course will be broken into four modules. The first will provide historical context for the US health care system, discuss the demand for health and health care, and introduce the supply of health care. The second module will focus on the structure of health care markets, and the third will focus on the role of public policy in health and health care. The fourth module will consist of special topics in health economics, chosen by students during the first week of class.

Date	Topics	Readings
Jan 31, 2024	Introductions, syllabus review, stat primer	No readings!
<b>Module 1: A neoclassical model of health care</b>		
Feb 6, 2024	Patients, providers, payors, and policymakers	Baicker & Chandra (2020)
Feb 8, 2024	Health production	Friedson ch. 2
Feb 13, 2024	Demand for medical care	Friedson ch. 3; Grossman (1972); Finkelstein et al. (2012)
Feb 15, 2024	(Supply of) and (barriers to) medical care	Friedson ch. 6
Feb 20, 2024	Health insurance in the United States	Thomasson (2019)
Feb 22, 2024	How do other countries do it?	Friedson ch. 19; Lynch & Perera (2017)
<b>Module 2: Insurance, incentives, and market failures</b>		
Feb 27, 2024	Information asymmetry and adverse selection	Friedson ch. 11; Akerlof (1970); Arrow (1963)
Feb 29, 2024	Administrative burden of cost sharing	Herd & Moynihan (2021)
Mar 5, 2024	Incentives and provider behaviour	Friedson ch. 8; Nguyen et al. (2019); Gawande (2009)
Mar 7, 2024	Writing skills lab: lit reviews	No readings!
Mar 12, 2024	How to pick your health insurance	Friedson ch. 4
Mar 14, 2024	Midterm - Office Hours	No readings!
3/16 → 3/31	Spring break	No readings!
<b>Module 3: Public policy, regulation, and health equity</b>		

Apr 2, 2024	Industrial organization of health care markets	Dafny (2021); Alexander et al. (2019)
Apr 4, 2024	Safety net I: Medicare	Friedson ch. 14; Finkelstein (2007)
Apr 9, 2024	Safety net II: Medicaid	Friedson ch. 14
Apr 11, 2024	Safety net III: AFDC/TANF and SNAP	Hoynes, Schanzenbach, & Almond (2016)
Apr 16, 2024	The Affordable Care Act I	Carey, Wherry, & Miller (2020)
Apr 18, 2024	The Affordable Care Act II	Friedson ch. 11
Apr 23, 2024	Drug development and regulation	Friedson ch. 15
Apr 25, 2024	Regulation of risky health behaviors	Cawley & Ruhm (2011)
<b>Module 4: Topics in health economics</b>		
Apr 30, 2024	Case study: Supplements, stimulants, and semaglutide	Marquardt (2021); Currie et al., (2014); Cawley et al., (2013)
May 2, 2024	Case study: US opioid epidemic	Alpert et al. (2022); Bradford & Lozano-Rojas (2023)
May 7, 2024	Case study: Medical labor force during COVID-19	TBD
May 9, 2024	Case study: Private equity in healthcare innovation	TBD

**Important Dates:**

Quiz #1 .....Thursday, February 15th  
Policy brief #1 ..... Thursday, February 22nd  
Quiz #2 .....Thursday, February 29th  
Midterm ..... Thursday, March 14th  
Policy brief #2 ..... Thursday, April 4th  
Quiz #3 ..... Thursday, April 11th  
Policy brief #3 ..... Thursday, April 25th  
Quiz #4 ..... Thursday, May 2nd