Course Description

In this course we will apply the tools of economic analysis to study how medical care is produced and financed, in both the private and public sectors. Our emphasis will be on the United States, with a brief treatment of health economics research in other countries and comparisons of health systems in other developed and less developed countries.

The material for the course will consist both of the description and discussion of problems in medical services financing and delivery, and analysis of how medical markets work. Fundamentally, we will use economics to evaluate why the health care market is different from conventional markets and what, if anything, economic analysis can tell us about these differences. This will include studying such matters as why health insurance exists, whether hospital competition leads to efficient allocation of resources and production, the role of the physician in patient choice, and the role for government and market interventions in correcting potential inefficiencies.

This is an economics course. The approach taken and the literature reviewed will be primarily by and for economists. This means that charts, graphs, and algebra will be common. Through the example of the health care sector, we will examine many of the important issues in economics more generally, including decision-making under uncertainty, principal-agent theory, moral hazard, and imperfect competition.

Recommended Readings

The two recommended texts are:

- *Your Money or Your Life*, by David M Cutler, Oxford University Press, 2005.

The schedule below also contains additional recommended readings to supplement these texts.
Course Assessment

Assessment is based on the following items, with weights noted:

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>35%</td>
</tr>
<tr>
<td>Final</td>
<td>40%</td>
</tr>
<tr>
<td>Group presentation</td>
<td>15%</td>
</tr>
<tr>
<td>Class participation</td>
<td>10%</td>
</tr>
</tbody>
</table>

Course Website

I will maintain a website for the course using NYU Classes. The website will include announcements and downloadable files with the class lectures.

Classroom Norms

Laptops, cell phones, Smartphones and other electronic devices are a disturbance to both students and professors. All electronic devices must be turned off prior to the start of each class meeting.

Class participation

I strongly encourage students to participate in class by answering questions that I pose and by posing questions of their own. In the evaluation, quality is more important than quantity. In addition, the evaluation of class participation could be affected adversely by lack of attendance or creating negative classroom externalities (see Classroom Norms above).

Ethical Guidelines

All students are expected to follow the Stern Code of Conduct:
(http://www.stern.nyu.edu/uc/codeofconduct)
A student’s responsibilities include, but are not limited to, the following:

1. A duty to acknowledge the work and efforts of others when submitting work as one’s own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
2. A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

Students with Disabilities

Students whose class performance may be affected due to a disability should notify me immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities http://www.nyu.edu/csd/ to accommodate their needs.
Course Schedule and Readings (to be completed before class)

I. Introduction

1. Wednesday, September 4: Introduction to Health Economics

   BHT, Ch. 1


   BHT, Ch. 1
   D. Cutler, Your Money or Your Life, Chapter 2: “Pricing the Priceless.”

II. Health Demand and Health Production

3. Wednesday, September 11: Demand for Health Care, I

   BHT, Ch. 2.
   D. Cutler, Your Money or Your Life, Chapters 3-5.

4. Monday, September 16: Demand for Health Care, II

   BHT, Ch. 2.

5. Wednesday, September 18: Human Capital and Health, I

   BHT, Ch. 3

6. Monday, September 23: Human Capital and Health, II

   BHT, Ch. 3

7. Wednesday, September 25: Technological Change and Health, I

   BHT, Ch. 13
8. **Monday, September 30: Technological Change and Health, II**


### III. Health Insurance: Theory

9. **Wednesday, October 2: Risk Aversion, Health Insurance, and Moral Hazard**

BHT, Ch. 7, 11

10. **Monday, October 7: Adverse Selection and the Lemons Problem**

BHT, Ch. 8-9

11. **Wednesday, October 9: Rothschild-Stiglitz Model, I**

BHT, Ch. 9.

12. **Tuesday, October 15: Rothschild-Stiglitz Model, II**

BHT, Ch. 9.

### IV. Health Insurance: Provision

13. **Wednesday, October 16: The American Model, I**

BHT, Ch. 15, 18.
14. **Monday, October 21: The American Model, II**


15. **Wednesday, October 23: Midterm Review Lecture**

16. **Monday, October 28: Midterm Exam**

17. **Wednesday, October 30: The American Model, III**

BHT, Ch. 18.
D. Cutler, *Your Money or Your Life*, Ch. 6.

18. **Monday, November 4: Bismarckian and Beveridgian Models**

BHT, Ch. 16-17.

19. **Wednesday, November 6: Hospitals, I**

BHT, Ch. 6.

20. **Monday, November 11: Hospitals, II**


BHT, Ch. 5.

22. **Monday, November 18: Health Care Labor Force, II**

BHT, Ch. 5.

23. **Wednesday, November 20: Pharmaceuticals**

BHT, Ch. 12
Berndt (2002), “Pharmaceuticals in US Healthcare: Determinants of Quantity and

V. **Topics in Health Policy**

24. **Monday, November 25: Information and Quality in Health Care, I**


No class on Wednesday, November 27

25. **Monday, December 2: Information and Quality in Health Care, II**


26. **Wednesday, December 4: Group Presentations**

27. **Monday, December 9: Group Presentations**

28. **Wednesday, December 11: Group Presentations**

Final Exam: Monday, December 16, 10 am to 11.50 am in our usual classroom.