

EC 483/597, Fall 2016
HEALTH CARE ECONOMICS
COURSE SYLLABUS

Instructor: Matthew Hampton
Location: Bidgood Hall (BD) 240
Time: TR 9:30 am - 10:45 am
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Prerequisites:

You should have successfully completed EC 308. EC 471 is also recommended as an exposure to regression analysis will be useful in understanding the material.

Required Textbooks:

Folland, Sherman, Allen C. Goodman, and Miron Stano. *The Economics of Health and Health Care*. Seventh Edition. New Jersey: Pearson Prentice Hall, 2016.

Overview, Objectives, and Policy:

This is a senior-level field course designed to investigate the microeconomics of the American health care delivery system. The course focuses on the demand for and supply of health care services and emphasizes the efficiency and equity characteristics of the system. Students should develop an understanding of the economics of health and health care along with an appreciation of the role of policy analysts in the evolution of our health care system. Lectures will follow the textbook closely, however they may utilize ideas from various academic journal articles. I encourage you to attend class and to actively participate in class discussions and to ask (relevant) questions. Studies show that grade performance in *any* collegiate-level course is highly correlated with attendance and participation.

ADA policy:

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. If you believe you have a disability requiring an accommodation, please contact the Office of Disability Services at 348-4285 (202 Research Drive). After the initial arrangements are made with that office, please contact the instructor.

Evaluation:

Midterm 1: 25%

Midterm 2: 25%

Quizzes: 10%

Project: 40%

The Grading Scale used in this course is the standard +/- scale used by the University:

A+ 97-100	A 93-96	A- 90-92	B+ 87-89	B 83-86	B- 80-82
C+ 77-79	C 73-76	C- 70-72	D+ 67-69	D 63-66	D- 60-62

Note: Those taking the cross-listed 500 level version of this course will not receive plus/minus grades.

Any missed exam must be accompanied with a verifiable (and legible) written excuse complete with appropriate contact information of the person issuing the excuse (i.e., name, phone number, etc.). Makeup exams will not be offered under most circumstances and early exams are given under no circumstances. According to university rules an exception can be made to the no makeup exam policy if you are able to provide a university sanctioned reason for missing the exam (i.e., attending a sporting event as a student athlete, etc.); even so, I prefer in this case that the remaining exams be appropriately re-weighted.

Format of Midterms:

Exams will consist of problems requiring short answer, essay, or mathematical responses.

Midterm #1 will be held on Thursday, September 29, and Midterm #2 will be sometime in early to mid November.

Further information will be communicated in class as the course progresses.

Format of Quizzes:

Quizzes will occur randomly and will test your understanding of material covered in previous lectures.

Participation:

Class participation can aid in not only your understanding of material, but also your classmates. Moreover, class participation creates a more engaging and enjoyable classroom environment. That being said, students should not dominate class discussion and should make sure to give other individuals the opportunity to participate.

Academic Integrity:

Students are expected to abide by the University of Alabama Code of Academic Conduct. Violations of this code will result in a grade of “F” in the course. The Code of Student Conduct requires that students behave in a manner that is conducive to a teaching/learning environment. Students who engage in behavior that is disruptive or obstructive to the teaching/learning environment will be subject to disciplinary sanctions outlined by the Code of Student Conduct. Disruptive/obstructive behavior is not limited to but may include the following: physical abuse, verbal abuse, threats, stalking, intimidation harassment, hazing, possession of controlled substances, and possession of alcoholic beverages.

Plagiarism

Student Handbook Definition: Representing the words, data, works, ideas, computer program or output, or anything not generated in an authorized fashion, as one’s own. There are at least two types of plagiarism you need to be aware of as you prepare your course project:

- a. Wholesale copying of another’s work, or submission of a paper which is wholly or largely the work of another.
- b. Pulling material together from various sources without both paraphrasing the material (substantially transforming the material into your own words) and giving a clear citation to your source. If you use a word-for-word quote, you must use quotation marks and cite the source. While some direct quotation is acceptable in a paper, I want to see your writing; a paper which is largely a series of direct quotes is not acceptable. This means that in general, when you draw on sources directly, you must transform the material by putting it into your own words and then you must cite the source clearly.

Project:

You each will be assigned to a group and will participate in a group project.

The overall goal of the project is to enable you to become familiar with a piece of academic literature from the field of health economics. My recommendation is that you choose a research article (this article must be approved by me). Once you have chosen an article, each group will write a 10-12 double-spaced page critique of the article along with a proposal of an extension of the work. Margins should be 1” and you should use Times New Roman font. At the end of the semester, each group will conduct a 10-15 minute presentation of work.

I know that some of you may be more ambitious and may wish to embark on your own research study using observational data. This is also acceptable as long as the topic of the project is health related and approved by me. I am here to assist you if you wish to learn about working with data (this may be particularly useful for those of you who are currently taking or have already taken econometrics). Nonetheless, I know most of you will choose the path of least resistance, which is writing a critique of a health economic article.

A project schedule and a list of articles from health economics is appended below, and your grade will depend on completion of items on the project schedule.

Project Schedule (important dates): This schedule is tentative, and in order to keep each group on track to complete the project, I will likely assign other writing tasks throughout the semester. On each of the dates listed below, each group should turn something in that contributes to the overall project. You will receive a grade for each of the assignments below indicated by ***.

Monday August 29 – Select group members totaling 3-4 members per group. If you know that you want to be in a group with individual x, or you do not want to be in a group with individual y, let me know. If you have not revealed a preference to be in the same group as anyone, I will assign you randomly after this date.

*****Wednesday September 14** – As a group, choose an article and get it approved by me. A list of articles is appended below, though this list is non-exhaustive. I recommend that articles come from academic journals including but not limited to Journal of Health Economics, Health Economics, American Journal of Health Economics, or any other legitimate economics journal. If you find an article that is not published in a well-known journal, ask me for approval for the article. Remember, articles must be related to Health Economics. Since your critique must be 10-12 pages in length, I do not recommend that you choose an article that is only 5 pages.

When you choose an article, you should think about the following overview questions:

- What is the research question that the authors attempt to answer in this paper?
- Why is this paper an improvement on the existing literature?
- How could this paper be improved or extended to further contribute to the literature?
- How did the authors attempt to answer their specific research question?
- Are there/what are the sources of endogeneity related to this question?
- What is the identification strategy used by the authors?
- What assumptions are necessary for the identification strategy to answer the research question?
- What data do the authors use to answer their research question?
- Which econometric techniques do the authors use?
- Are there any policy implications stemming from this work?
- How can this paper be improved?
- What additional research questions are generated by this paper?

*****Friday October 14** – Each group should turn in a 4 page, double-spaced discussion of their article. What is the article about? Clearly cite some of the important literature discussed by the author. How does the chosen article add to this literature? Clearly define the question or problem that the article seeks to answer/solve. This write-up is intended to be a brief summary of the topic, along with a review of the literature. Write this Introductory/Literature Review section just as you would your own academic research article.

*****Friday November 4** – Each group should add to their previous write-up. This addition should include a section discussing the methodology used by the author. If the paper is theoretical, describe any assumptions that are made or describe the techniques being used. If the paper is empirical (most likely it is), clearly describe the data being used and the econometric method. If the paper attempts to show a causal mechanism, what is the identification strategy of the author? What are some of the flaws or criticisms of what the author is doing? Can you offer any suggestions for improvement? This section should be about 4 pages double-spaced.

Presentation Slots:

When you deliver the presentation, you are essentially teaching the paper to the class. You will be graded on how well you do this.

Tuesday November 29 – Presentation day #1

Thursday December 1 – Presentation day #2

Friday December 2 – Presentation day #3

*****Wednesday December 7 –**

Each group should add to their previous write-up. This addition should include a section discussing the results and conclusion of the author/s. As well as this, include a proposal of how this project can be improved or taken further. Are there any other interesting questions that are directly related to this topic that may be studied? What would you do differently to improve this work? This section should be about 3 pages.

Each group should email me a final copy of their course project no later than noon. This version should include any suggested changes that I have made on previous drafts, and it should include all sections of the project: Introductory, Methodology, and Discussion/Conclusion.

Project Grades:

- The writing tasks marked with asterisks above account for a combined 25/40 points toward the project grade
- Presentations account for 10/40 toward the project grade
- Each of you will fill out a survey and grade other members of your group. You will have the opportunity to write comments about how well your group members performed throughout the semester. This accounts for 5/40 points toward the project grade.

Suggested Reading/Literature:

This list is far from exhaustive, and there are numerous other articles and topics available for you to study.

Introductory/Important Theoretical Papers in Health Economics

Arrow, Kenneth J. "Uncertainty and the welfare economics of medical care." *The American economic review* 53.5 (1963): 941-973.

Baicker, Katherine, et al. "The Oregon experiment—effects of Medicaid on clinical outcomes." *New England Journal of Medicine* 368.18 (2013): 1713-1722.

Cawley, John, and Michael A. Morrisey. "The earnings of US health economists." *Journal of Health Economics* 26.2 (2007): 358-372.

Cutler, David, Angus Deaton, and Adriana Lleras-Muney. "The determinants of mortality." *The Journal of Economic Perspectives* 20.3 (2006): 97-120.

Fuchs, Victor R. "Health Care Is Different—That's Why Expenditures matter." *Journal of the American Medical Association* 303.18 (2010): 1859-1860.

Grossman, Michael. "On the concept of health capital and the demand for health." *Journal of Political economy* 80.2 (1972): 223-255.

Lundy, Janet, and Benjamin D. Funder. *Cost sharing for health care: France, Germany, and Switzerland*. Henry J. Kaiser Family Foundation, 2009.

Manning, Willard G., et al. "Health insurance and the demand for medical care: evidence from a randomized experiment." *The American economic review* (1987): 251-277.

Morrisey, Michael A., and John Cawley. "US health economists: who we are and what we do." *Health economics* 17.4 (2008): 535-543.

Musumeci, MaryBeth. *A Guide to the Supreme Court's Affordable Care Act Decision*. Henry J. Kaiser Family Foundation, 2012.

Smith, James P. "Healthy bodies and thick wallets: the dual relation between health and economic status." *The journal of economic perspectives: a journal of the American Economic Association* 13.2 (1999): 144.

Health Care Spending

Anderson, Gerard F., et al. "Health care spending and use of information technology in OECD countries." *Health Affairs* 25.3 (2006): 819-831.

Doyle, Joseph, et al. "Measuring returns to hospital care: Evidence from ambulance referral patterns." *The journal of political economy* 123.1 (2015): 170.

Gruber, Jonathan, and Aaron Yelowitz. *Public health insurance and private savings*. No. w6041. National Bureau of Economic Research, 1997.

Levit, Katharine, et al. "Trends in US health care spending, 2001." *Health Affairs* 22.1 (2003): 154-164.

Lubitz, James, et al. "Health, life expectancy, and health care spending among the elderly." *New England Journal of Medicine* 349.11 (2003): 1048-1055.

The Economics of Smoking

Adda, Jerome, and Francesca Cornaglia. "Taxes, cigarette consumption, and smoking intensity." *The American Economic Review* 96.4 (2006): 1013-1028.

Adda, Jérôme, and Francesca Cornaglia. "The effect of bans and taxes on passive smoking." *American Economic Journal: Applied Economics* 2.1 (2010): 1-32.

Carpenter, Christopher, and Philip J. Cook. "Cigarette taxes and youth smoking: new evidence from national, state, and local Youth Risk Behavior Surveys." *Journal of health economics* 27.2 (2008): 287-299.

Cawley, John, Sara Markowitz, and John Tauras. "Lighting up and slimming down: the effects of body weight and cigarette prices on adolescent smoking initiation." *Journal of health economics* 23.2 (2004): 293-311.

Cawley, John, Sara Markowitz, and John Tauras. "Obesity, cigarette prices, youth access laws and adolescent smoking initiation." *Eastern Economic Journal* 32.1 (2006): 149-170.

DeCicca, Philip, Donald Kenkel, and Alan Mathios. "Putting out the fires: will higher taxes reduce the onset of youth smoking?." *Journal of political Economy* 110.1 (2002): 144-169.

Evans, William N., and Matthew C. Farrelly. "The compensating behavior of smokers: taxes, tar, and nicotine." *The Rand journal of economics* (1998): 578-595.

Evans, William N., Matthew C. Farrelly, and Edward Montgomery. *Do workplace smoking bans reduce smoking?*. No. w5567. National bureau of economic research, 1996.

Markowitz, Sara. "The effectiveness of cigarette regulations in reducing cases of Sudden Infant Death Syndrome." *Journal of health economics* 27.1 (2008): 106-133.

Nesson, Erik. "Heterogeneity in Smokers' Responses to Tobacco Control Policies." *Health economics* (2015).

Mental Health, Human Capital Accumulation, and Educational Policy

Anderson, Patricia M., and Kristin F. Butcher. "Reading, Writing, and Refreshments Are School Finances Contributing to Children's Obesity?." *Journal of Human Resources* 41.3 (2006): 467-494.

Bokhari, Farasat AS, and Helen Schneider. "School accountability laws and the consumption of psychostimulants." *Journal of Health Economics* 30.2 (2011): 355-372.

Chorniy, Anna V., and Leah Kitashima. *Sex, Drugs, and ADHD: The Effects of ADHD Pharmacological Treatment on Teens' Risky Behaviors*. No. odrc15-51. National Bureau of Economic Research, 2015.

Currie, Janet, and Mark Stabile. "Child mental health and human capital accumulation: the case of ADHD." *Journal of health economics* 25.6 (2006): 1094-1118.

Currie, Janet, Mark Stabile, and Lauren Jones. "Do stimulant medications improve educational and behavioral outcomes for children with ADHD?." *Journal of health economics* 37 (2014): 58-69.

Elder, Todd E. "The importance of relative standards in ADHD diagnoses: evidence based on exact birth dates." *Journal of health economics* 29.5 (2010): 641-656.

Evans, William N., Melinda S. Morrill, and Stephen T. Parente. "Measuring inappropriate medical diagnosis and treatment in survey data: The case of ADHD among school-age children." *Journal of health economics* 29.5 (2010): 657-673.

Figlio, David N., and Lawrence S. Getzler. *Accountability, ability and disability: Gaming the system*. No. w9307. National Bureau of Economic Research, 2002.

Figlio, David N., and Joshua Winicki. "Food for thought: the effects of school accountability plans on school nutrition." *Journal of public Economics* 89.2 (2005): 381-394.

Fletcher, Jason M. "The effects of childhood ADHD on adult labor market outcomes." *Health economics* 23.2 (2014): 159-181.

Fletcher, Jason, and Barbara Wolfe. "Child mental health and human capital accumulation: the case of ADHD revisited." *Journal of health economics* 27.3 (2008): 794-800.

Kvist, Anette Primdal, Helena Skyt Nielsen, and Marianne Simonsen. "The importance of children's ADHD for parents' relationship stability and labor supply." *Social Science & Medicine* 88 (2013): 30-38.

Madden, David. "Mental stress in Ireland, 1994–2000: A stochastic dominance approach." *Health economics* 18.10 (2009): 1202-1217.

Robinson, Joshua J. "Sound body, sound mind? Asymmetric and symmetric fetal growth restriction and human capital development." *Asymmetric and Symmetric Fetal Growth Restriction and Human Capital Development (September 29, 2013)* (2013).

Schneider, Helen, and Daniel Eisenberg. "Who receives a diagnosis of attention-deficit/hyperactivity disorder in the United States elementary school population?." *Pediatrics* 117.4 (2006): e601-e609.

The Affordable Care Act

Antwi, Yaa Akosa, Asako S. Moriya, and Kosali I. Simon. "Access to health insurance and the use of inpatient medical care: evidence from the Affordable Care Act young adult mandate." *Journal of health economics* 39 (2015): 171-187.

Burkhauser, Richard V., Sean Lyons, and Kosali I. Simon. *The Importance of the Meaning and Measurement of "affordable" in the Affordable Care Act*. No. w17279. National Bureau of Economic Research, 2011.

Cantor, Joel C., et al. "Early impact of the Affordable Care Act on health insurance coverage of young adults." *Health services research* 47.5 (2012): 1773-1790.

Chatterji, Pinka, Peter Brandon, and Sara Markowitz. "Job mobility among parents of children with chronic health conditions: Early effects of the 2010 Affordable Care Act." *Journal of health economics* 48 (2016): 26-43.

Lenhart, Otto, and Vinish Shrestha. *The Effect of the Health Insurance Mandate on Labor Market Activity and Time Allocation: Evidence from the Federal Dependent Coverage Provision*. No. 2016-10. 2016.

Sommers, Benjamin D., et al. "The Affordable Care Act has led to significant gains in health insurance and access to care for young adults." *Health affairs* 32.1 (2013): 165-174.

Disability

Chen, Susan, and Wilbert Van der Klaauw. "The work disincentive effects of the disability insurance program in the 1990s." *Journal of Econometrics* 142.2 (2008): 757-784.

Dave, Dhaval M., and Jose M. Fernandez. "Rising Autism Prevalence: Real or Displacing Other Mental Disorders? Evidence from Demand for Auxiliary Healthcare Workers in California." *Economic Inquiry* 53.1 (2015): 448-468.

Marcotte, Dave E., and Virginia Wilcox-Gök. "Estimating earnings losses due to mental illness: a quantile regression approach." (2003).

Powers, Elizabeth T. "New estimates of the impact of child disability on maternal employment." *The American Economic Review* 91.2 (2001): 135-139.

Powers, Elizabeth T. "Children's health and maternal work activity estimates under alternative disability definitions." *Journal of human resources* 38.3 (2003): 522-556.

Totty, Evan S., Gerlach, H., Subramanian, A., Zebrowski, Patricia, "The Impact of Stuttering on Labor Market Outcomes" Working paper 2016.
<https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbmNldmFuc3RvdHR5fGd4OjY3YzNmMTljZjlyNzVmZA>

Alcohol Consumption

Carpenter, Christopher, and Carlos Dobkin. "The effect of alcohol consumption on mortality: regression discontinuity evidence from the minimum drinking age." *American Economic Journal: Applied Economics* 1.1 (2009): 164-182.

Cook, Philip J., and Christine Piette Durrance. "The virtuous tax: lifesaving and crime-prevention effects of the 1991 federal alcohol-tax increase." *Journal of health economics* 32.1 (2013): 261-267.

Dee, Thomas S. "Does setting limits save lives? The case of 0.08 BAC laws." *Journal of policy Analysis and management* 20.1 (2001): 111-128.

Lovenheim, Michael F., and Joel Slemrod. "The fatal toll of driving to drink: the effect of minimum legal drinking age evasion on traffic fatalities." *Journal of Health Economics* 29.1 (2010): 62-77.

Manning, Willard G., Linda Blumberg, and Lawrence H. Moulton. "The demand for alcohol: the differential response to price." *Journal of Health Economics* 14.2 (1995): 123-148.

Markowitz, Sara, and Michael Grossman. "The effects of beer taxes on physical child abuse." *Journal of Health Economics* 19.2 (2000): 271-282.

Shrestha, Vinish. "Do young adults substitute alcohol for cigarettes? Learning from the master settlement agreement." *Dept. of Economics Working Paper, Emory University* (2014).

Shrestha, Vinish. "Estimating the price elasticity of demand for different levels of alcohol consumption among young adults." *American Journal of Health Economics* (2015).

Shrestha, Vinish, and Sara Markowitz. "The Pass-Through of Beer Taxes to Prices: Evidence from State and Federal Tax Changes." *Economic Inquiry* (2016).

Food Stamps, Poverty, Nutrition, and Obesity

Almond, Douglas, Hilary W. Hoynes, and Diane Whitmore Schanzenbach. "Inside the war on poverty: The impact of food stamps on birth outcomes." *The Review of Economics and Statistics* 93.2 (2011): 387-403.

Baum, Charles L., and William F. Ford. "The wage effects of obesity: a longitudinal study." *Health Economics* 13.9 (2004): 885-899.

Bhattacharya, Jay, et al. "Does health insurance make you fat?." *Economic aspects of obesity*. University of Chicago Press, 2011. 35-64.

Cawley, John, and Chad Meyerhoefer. "The medical care costs of obesity: an instrumental variables approach." *Journal of health economics* 31.1 (2012): 219-230.

Chen, Susan Elizabeth, Raymond J. Florax, and Samantha D. Snyder. "Obesity and fast food in urban markets: a new approach using geo-referenced micro data." *Health economics* 22.7 (2013): 835-856.

Chen, Susan E., Anke Möser, and Rodolfo M. Nayga. "Too busy to eat with the kids? Parental work and children's eating." *Applied Economic Perspectives and Policy* (2015): ppv001.

Figlio, David, Sarah Hamersma, and Jeffrey Roth. "Does prenatal WIC participation improve birth outcomes? New evidence from Florida." *Journal of Public Economics* 93.1 (2009): 235-245.

Kaushal, Neeraj. "Do food stamps cause obesity?: Evidence from immigrant experience." *Journal of Health Economics* 26.5 (2007): 968-991.

Kreider, Brent, et al. "Identifying the effects of SNAP (food stamps) on child health outcomes when participation is endogenous and misreported." *Journal of the American Statistical Association* 107.499 (2012): 958-975.

Millimet, Daniel L., Rusty Tchernis, and Muna Husain. "School nutrition programs and the incidence of childhood obesity." *Journal of Human Resources* 45.3 (2010): 640-654.

Schanzenbach, Diane Whitmore. "Do school lunches contribute to childhood obesity?." *Journal of Human Resources* 44.3 (2009): 684-709.

Marijuana Legalization

Anderson, D. Mark, and Daniel I. Rees. "The Legalization of Recreational Marijuana: How Likely Is the Worst-Case Scenario?." *Journal of Policy Analysis and Management* 33.1 (2014): 221-232.

Cameron, Lisa, and Jenny Williams. "Cannabis, alcohol and cigarettes: substitutes or complements?." *Economic Record* 77.236 (2001): 19-34.

Farrelly, Matthew C., et al. "The joint demand for cigarettes and marijuana: Evidence from the National Household Surveys on Drug Abuse." *Journal of health economics* 20.1 (2001): 51-68.

Wen, Hefei, Jason Hockenberry, and Janet R. Cummings. *The effect of medical marijuana laws on marijuana, alcohol, and hard drug use*. No. w20085. National Bureau of Economic Research, 2014.

Once again, this list is far from exhaustive, and is simply a list of potential topics and articles from which you can choose. There are numerous other topics available for you to study including health behaviors, health policy, health insurance and crowding out, Medicaid and Medicare, impacts of the minimum wage on health, the relationship between health and wealth, etc. If you are interested in studying any other topic, I may be able to direct you to find an article that is suitable.