

## Economic Issues in Health Care

**Course Number:** CCM 420/520, ECO 320

**Credit Hours:** 3

**Prerequisites:** None

**Instructor:** Harjit K. Arora, Ph.D., Professor of Economics, Le Moyne College, Syracuse, NY 13214, Email: [arora@lemoyne.edu](mailto:arora@lemoyne.edu), Office Phone: 315.445.4436.

**Course Description:** This course examines the challenging questions of why health care spending in the U.S. continues to rise in spite of efforts to control costs. The focus of the course will be on examining the key issues responsible for cost increases and why this country has one in six individuals without any health insurance and one in four with sub-standard health care. The topics include factors affecting demand and supply of healthcare services such as sociocultural considerations and healthcare threats; demographic changes and aging of the population; economic and legal forces impacting healthcare system; and the role of technology in the delivery of healthcare.

**Course Objectives:** At the completion of the course, students will be able to:

1. Explain factors that increase demand for healthcare services and how they affect resources that are available in the U.S. economy.  
Recognize the factors that constrain supply of healthcare services and how they affect the consumers.  
Compare the costs to the economy in providing healthcare services to the whole nation by government versus the market-based private sector approach.  
Discuss the role of private healthcare (as is the current system) vs. the Universal care in the capitalistic economy like the United States.  
Analyze the benefits of providing health care services to the whole nation.  
Discuss the role of technology in improving health care in the U.S.

**Required Textbook:** Health Economics and Policy, by James W. Henderson, III edition (2005), Thomson-South Western.

**All the Journal articles on the Content outline are required readings and are available on Blackboard.**

### Suggested Readings:

Health Care Costs: A Primer, The Henry J. Kaiser Family Foundation, August 2007.  
<http://www.kff.org/insurance/upload/7670.pdf>

Slowing the Health Care Expenditures: What are the Options? The Commonwealth Fund, January 2007.

**DisplayText cannot span more than one line!**

The Burden of Out-of-Pocket Health Care Cost among Older versus Younger Adults: Analysis from the Consumer Expenditure Survey, 1998-2003, September 2007.  
<http://www.kff.org/medicare/upload/7686.pdf>

Trends in Health Care Spending  
<http://www.kff.org/insurance/upload/7692.pdf>

Measuring the Costs and Benefits of Health Care Information Technology: Six Case Studies, prepared for California HealthCare Foundation, September 2004.

<http://www.chcf.org/documents/ihealth/MeasuringCostsAndBenefitsOfHealthCareIT.pdf>

Will Health Care Costs Erode Retirement Security? Center for Retirement Research at Boston College, October 2004. [http://www.urban.org/uploadedpdf/1000699h\\_retirement\\_security.pdf](http://www.urban.org/uploadedpdf/1000699h_retirement_security.pdf)

### Teaching Strategies:

Lecture  
In-class Small Group Discussions  
Blackboard Discussions  
Student Presentations

### Student Policies:

**Course Attendance and Participation:** All students are expected to attend class, participate actively in class discussions and complete all assignments on time. If a student is absent from the class and has informed the Professor regarding the reason for absence such as illness or an emergency in the family, a reasonable effort will be made to allow students to compensate for work missed. Student is responsible for keeping up-to-date with class notes and announcements made in the class.

**Late Assignments:** Students with a reasonable request for handing in a late assignment should contact the course Professor **prior to the due date** to discuss an extension. Assignments handed in late will lose the equivalent of one (1) point per day and assignments will not be accepted one week past the designated due date unless the student contacts the faculty member prior to the due date with a legitimate reason for requesting an extension.

**Code of Conduct:** Students are referred to the *Academic Standards* section in the *Student Handbook* and in the College catalog of each respective College for specific components related to academic honesty/plagiarism, respect, ethical ideals, and professional conduct. Students are responsible for adhering to all standards of professional behavior contained in documents of their colleges.

**Disability:** Students who have any disability that may affect their performance in this course are encouraged to speak with the Professor at the beginning of the course so that appropriate accommodations may be made. A letter that documents this disability in compliance with the Americans with Disabilities Act (ADA) is required from the office of disability support services on the campus where the student resides and must be presented to the faculty member for the necessary accommodations to be made.

Course Evaluation Methods	Grade Points (% of Grade)	Due Date
Black Board Discussions	20 points	On-going
Midterm Debate on current health care topic	20 points	Week 8
Midterm Debate – Short Paper	10 points	Week 9
Take Home Exam	20 points	Week 13
Final Paper	10 points	Week 14
Final Presentation	20 points	Week 15

Four to five healthcare related economic issues throughout the semester will be posted on Black Board. Every student has to post at least one comment on each of those issues to get final grade.

Class presentations will be in teams. Teams will be formed in the beginning of the semester. Graduate students are expected to team up with other graduate students and undergraduate students with other undergraduate students. Topics for Midterm Debate will be selected by the second week. Final Presentation Topic to be selected by the fifth week of the semester. Mid-term and Final Papers should not exceed 5 typed pages by Undergraduate students and 10 typed pages by Graduate students. Students will receive individual grades for debate and class presentation. Grades will be based on evidence of preparation, comprehensiveness and clarity, narrative description, and creativity.

Take home exam will be given during the first four weeks of classes and is due Week 13th of the Semester. Criteria to grade Graduate students will be different than the Undergraduate students. Graduate students will be asked to provide a more in-depth explanation by going in detailed analysis and reasoning for their work. Each exam should be approximately 6 pages in length for graduate students and 4 pages in length for undergraduate students. All work needs to be typed double spaced, 12-font with 1” margins on all sides. Final paper is due week 14th of the semester.

Students will be held to a standard of knowledge and performance appropriate to their respective disciplines of study.

**Course Grade Distribution:**

Letter	A	A-	B+	B	B-	C+	C	C-	D	F	I
Percentage	95-100	90-94	87-89	84-86	80-83	77-79	74-76	70-73	60-69	<60	Incomplete

Final student grades will be assigned based on the grading scale and grading criteria of the student's home institution.

**Content Outline**

Date	Topic	Assignment
Wk. 1	U.S. Medical Care: Crisis or Conundrum Henderson: Chapter 1	Robert J. Blendon, Tracey S. Hyams, and John M. Benson, “Bridging the Gap Between Expert and Public Views on Health Care Reform,” <i>Journal of the American Medical Association</i> , 269(19), May 19, 1993, 2573-2578.  Mark A. Peterson, ed., “Kenneth Arrow and the Changing Economics of Health Care,” <i>Journal of Health Politics, Policy and Law</i> , 26(5), October 2001.
Wk 2	Using Economics to study Health Issues Henderson: Chapter 2	Victor R. Fuchs, “Economics, Values, and Health Care Reform,” <i>American Economic Review</i> 86(1), March 1996, 1-24.

Wk 3	Analyzing Medical Care Markets Henderson: Chapter 3	<p>Robert J. Blendon et al., "Who has the Best Health System? A Second Look," <i>Health Affairs</i> 14(4), Winter 1995, 220-230.</p> <p>Robert J. Mills and Shailesh Shandari, "Health Insurance Coverage in the United States:2002," <i>Current Population Reports</i>, P60-223, September 2003, 1-21.</p>
Wk 4	Economic Evaluation of Health Care Henderson: Chapter 4	Benjamin G. Druss et al., "Comparing the National Economic Burden of Five Chronic Conditions," <i>Health Affairs</i> 20(6), November/December 2001, 233-241.
Wk 5	Demand for Health and Medical Care Henderson: Chapter 5	<p>Benjamin G. Druss, "The Most Expensive Medical Conditions in America," <i>Health Affairs</i> 21(4), July/August 2002, 105-111.</p> <p>Matthew J. Eichner, "The Demand for Medical Care: What People Pay Does Matter," <i>American Economic Review Papers and Proceedings</i> 88(2), May 1998, 117-121.</p> <p>C.J.L. Murray, R. Govindaraj, and P. Musgrove, "National Health Expenditures: A Global Analysis," <i>Bulletin of the World Health Organization</i> 72(4), 1994, 533-692.</p>
Wk 6	The Market for Health Insurance Henderson: Chapter 6	<p>Jonathan Gruber and Larry Levitt, "Tax Subsidies for Health Insurance: Costs and Benefits," <i>Health Affairs</i> 19(1), January/February 2000, 72-85.</p> <p>John Holahan and Johnny Kim, "Why Does the Number of Uninsured Americans Continue to Grow?" <i>Health Affairs</i> 19(4), July/August 2000, 188-196.</p> <p>Richard Kronik and Todd Gilmer, "Explaining the Decline in Health Insurance Coverage, 1979-1995," <i>Health Affairs</i> 18(2), March/April 1999, 30-47.</p>

Wk 7	Managed Care Henderson: Chapter 7	Robert H. Miller and Harold S. Luft, "Does Managed Care Lead to Better or Worse Quality of Health Care?" <i>Health Affairs</i> 16(5) September/October 1997, 7-25.  Ray Robinson, "Managed Care in the United States: A Dilemma for Evidence Based Policy?" <i>Health Economics</i> 9(1) January 2000, 1-7.
Wk. 8	Midterm - Debate	TOPIC TO BE DECIDED
Wk 9	The Market for Health Care Professionals & The Market for Hospital Services Henderson: Chapters 8 & 9	Sherry Glied and Joshua g. Zivin, "How Do Doctors Behave When Some (But not All) of Their Patients are in Managed Care" <i>Journal of Health Economics</i> 21(2), March 2002, 337-353.  H.W. Frech III and Lee R. Mobley, "Efficiency, Growth, and Concentration: An Empirical Analysis of Hospital Markets," <i>Economic Inquiry</i> 38(3), July 2000, 369-384.  Daniel P. Kessler and Mark B. McClellan, "Is Hospital Competition Socially Wasteful?" <i>Quarterly Journal of Economics</i> 115(2), May 2000, 577-615. <b>PAPER ON THE DEBATE TOPIC DUE</b>
Wk 10	Sociocultural Considerations Henderson: Chapter 10	Edward A. Suchman, "Sociomedical Variations Among Ethnic Groups," <i>The American Journal of Sociology</i> 70(3), November 1964, 319-331.  Cornelia Porter, "Stirring the Pot of Differences: Racism and Health," <i>Medical Anthropology Quarterly</i> 8(1) March 1994, 102-106.
Wk 11	The Aging of the Population Henderson: Chapter 11	Alan J. Auerback, Jagdeesh Gokhale, and Laurence J. Kotlikoff, "Restoring Generational Balance in U.S. Fiscal Policy: What Will it Take?" <i>Economic Review</i> 31(1), Quarter 1 1995, 2-12.  Wenke Hwang et al., "Out-of-Pocket Medical Spending for Care of Chronic Conditions," <i>Health Affairs</i> 20(6), November/December 2001, 267-278.

Wk 12	The Legal System and Medical Malpractice Henderson: Chapter 12	James W. Henderson and J.Allen Seward, "Risk Aversion and Overcompensation from the Risk-Free Discount Rate," <i>Journal of Legal Economics</i> 8(2), Fall 1998, 25-31.
Wk 13.	Technology in Medicine Henderson: Chapter 13	David M. Cutler and Mark McClellan, "Is Technological Change in Medicine Worth it?" <i>Health Affairs</i> 20(5), September/October 2001, 11-29.  Joseph A. DiMasi, Ronald W. Hansen, Henry G. Grabowski, and Louis Lasagna, "Cost of Innovation in the Pharmaceutical Industry," <i>Journal of Health Economics</i> 22, 2003, 151-185. <b>TAKE HOME EXAM DUE</b>
Wk 14	Policies that Enhance Access & Policies to Contain Costs Henderson: Chapters 14 & 15	Bruce C. Vladeck and Kathleen M. King, "Medicare at 30: Preparing for the Future," <i>Journal of the American Medical Association</i> 274(3), July 19, 1995, 259-262. <b>FINAL PAPER DUE</b>
Wk 15	Final Students Presentation	