

# ECON H383: Health Economics

Fall 2021

Haverford College

Department of Economics

**Professor:** Michael Levere (he/him) ([mlevere@haverford.edu](mailto:mlevere@haverford.edu))

**Class Meetings:** MW, 11:30 am-1:00 pm, Stokes 206

**Office Hours:** Tuesday 10 am-12 pm, Chase 218

**Required Textbook:** None. All required reading materials will be posted on Moodle.

## COURSE DESCRIPTION

Health care expenditures account for approximately  $\frac{1}{6}$  of GDP in the United States as of 2019, the highest of any country in the world. Yet the US ranks 46th in terms of life expectancy, the lowest of the G7 countries. This course will explore empirical issues related to health care economics, particularly in the US. We will read the most recent cutting-edge research in health economics, enabling you to critically assess policy proposals in health care and to understand why the health care sector is different than the rest of the economy. We will learn about the demand for health care from the consumer's perspective and the supply of health care from the perspective of providers. We will also analyze health insurance coverage, including private provision of health care, Medicare, Medicaid, and the Affordable Care Act. This course will provide you the opportunity to learn about interesting issues while developing your economic toolkit, allowing you to think critically about economic research.

## LEARNING OBJECTIVES

By the end of this course, you will be able to:

- Read economic research published in top journals
- Evaluate the validity of research methods used in academic papers
- Articulate the arguments for and against proposed health care policies, justifying your reasoning using empirical research and theoretical models
- Compare public and private health insurance coverage
- Explain why demand for health care differs from demand for other goods
- Identify key issues affecting the provision of health care
- Present complex research topics in an accessible manner

## KEY DATES

- October 25: First referee report due
- November 10: Data assignment due

- December 6: Second referee report due
- December 17: Research proposal due

### **CLASS PARTICIPATION (15%)**

The first component of your grade is class participation. You must attend class, have read the paper we will discuss that day in advance to prepare for class, and engage in discussion. Regular participation is expected.

### **PRESENTATION (20%)**

Students will lead discussions of most papers we read. Groups of two to three students will be responsible for being experts on the paper, responding to other student questions and leading the discussion of the paper. Papers that students will present are listed on the syllabus with \*\*. By 9/4, send me a list of eight papers you would most like to present. I will then send back assignments for who will be responsible for presenting each paper throughout the semester. Each student will be in a presenter team four times during the semester. Presentations will be graded on the extent to which you successfully address the following questions and the ability to get the other students engaged in the discussion.

- What are the key research questions this paper addresses?
- What data do the authors use? How did they get access to the data?
- What model do the authors estimate? What is the identification strategy for estimating a causal effect? Do you believe this strategy?
- What are the main findings in the paper? What are the implications of these findings?
- What issues did you find with the paper? What other key topics that we have studied this semester does it relate to?

### **REFeree REPORTS (20%)**

Each student will be required to write referee reports on two papers over the course of the semester, due on 10/25 and 12/6. You can choose which paper you review, selecting among any of the starred papers on the list below (however, you may not do a referee report on a paper for which you are leading the presentation). A referee report is jointly a summary and an evaluation of a paper, typically between two and four double spaced pages in length. In practice, it serves as a valuable piece of feedback from a scholar who has read the paper carefully (you, the referee), to both the editor of a journal or book and to the author of the paper. The editor uses the referee report in his or her decision concerning whether to publish the paper, and the author uses it as valuable feedback on how the paper can be improved.

### **DATA ANALYSIS (15%)**

Several recent papers, including some that we will read during the semester, use publicly available data to assess the impact of the Medicaid expansions from the Affordable Care

Act on health insurance status. These papers typically only use data through 2014. You will update their analysis with the most data through 2019 from the American Community Survey (ACS). This will be an exciting opportunity to do cutting-edge empirical work on a topic of great interest in the literature. More information on the precise assignment will be provided later in the semester.

### **RESEARCH PROPOSAL (30%)**

Each student will be expected to produce a 10-15 page “proposal” for an original research project you would be interested in completing (rather than producing an entire paper in 14 weeks – they can take years!). The proposal should be on an issue related to health economics. It should most importantly include a well formed research question. The question should be framed in the literature we have read, explaining how this project would build on existing research. The proposal must also describe the methodology (the type of model you would estimate), the data that you would use to answer this research question, and hypotheses for what you might find. Be sure to provide a justification for why this is an important and interesting research question. Each student will give an oral presentation of their proposal during the last week of classes. The final written proposal is due on the last day of exams. Please meet with me no later than the end of September to discuss a rough idea of your proposed project and to get some initial feedback.

### **OTHER DETAILS**

**Inclusivity:** I consider this classroom to be a place where you will be treated with respect, and I welcome individuals of all ages, backgrounds, beliefs, ethnicities, genders, gender identities, gender expressions, national origins, religious affiliations, sexual orientations, ability – and other visible and nonvisible differences. All members of this class are expected to contribute to a respectful, welcoming and inclusive environment for every other member of the class.

**E-mail policy:** I will always do my best to reply to any e-mail you send within 24 hours. My response will typically be of a similar length as your e-mail. If you have more detailed questions, I suggest you attend office hours. I am generally available outside my office hours as well, so please feel free to stop by my office or email to schedule an appointment.

**Academic honesty:** For referee reports and the data analysis assignment, you may use any resources you like and can consult with classmates, provided that the work you turn in is your own and you acknowledge the names of helpful peers. Directly copying someone else’s work, ideas, or answers is a violation of college policy with serious consequences.

**Additional support:** I am committed to partnering with you on your academic and intellectual journey. I also recognize that your ability to thrive academically can be impacted by your personal well-being and that stressors may impact you over the course of the semester. If the stressors are academic, I welcome the opportunity to discuss and address

those stressors with you in order to find solutions together. If you are experiencing challenges or questions related to emotional health, finances, physical health, relationships, learning strategies or differences, or other potential stressors, I hope you will consider reaching out to the many resources available on campus. These resources include CAPS (free and unlimited counseling is available), the Office of Academic Resources, Health Services, Professional Health Advocate, Religious and Spiritual Life, the Office of Multicultural Affairs, the GRASE Center, and the Dean's Office. Additional information can be found at <https://www.haverford.edu/deans-office-student-life/offices-resources>

Additionally, Haverford College is committed to creating a learning environment that meets the needs of its diverse student body and providing equal access to students with a disability. If you have (or think you have) a learning difference or disability – including mental health, medical, or physical impairment – please contact the Office of Access and Disability Services (ADS) at [hc-ads@haverford.edu](mailto:hc-ads@haverford.edu). The Director will confidentially discuss the process to establish reasonable accommodations. It is never too late to request accommodations – our bodies and circumstances are continuously changing. Students who have already been approved to receive academic accommodations and want to use their accommodations in this course should share their accommodation letter and make arrangements to meet with me as soon as possible to discuss how their accommodations will be implemented in this course. Please note that accommodations are not retroactive and require advance notice in order to successfully implement.

**Title IX:** Haverford College is committed to fostering a safe and inclusive living and learning environment where all can feel secure and free from harassment. All forms of sexual misconduct, including sexual assault, sexual harassment, stalking, domestic violence, and dating violence are violations of Haverford's policies, whether they occur on or off campus. Haverford faculty are committed to helping to create a safe learning environment for all students and for the College community as a whole. If you have experienced any form of gender or sex-based discrimination, harassment, or violence, know that help and support are available. Staff members are trained to support students in navigating campus life, accessing health and counseling services, providing academic and housing accommodations, and more.

The College strongly encourages all students to report any incidents of sexual misconduct. Please be aware that all Haverford employees (other than those designated as confidential resources such as counselors, clergy, and healthcare providers) are required to report information about such discrimination and harassment to the Bi-College Title IX Coordinator: <https://www.haverford.edu/users/ktaylor4>.

Information about the College's Sexual Misconduct policy, reporting options, and a list of campus and local resources can be found on the College's website: <https://www.haverford.edu/sexual-misconduct>

## Tentative Schedule

Lecture	Date	Day	Topic
1	August 30	Monday	Why is health care different?
2	September 1	Wednesday	Adverse selection
3	September 8	Wednesday	Adverse selection
4	September 13	Monday	Moral hazard
5	September 15	Wednesday	Moral hazard
6	September 20	Monday	Healthcare disparities
7	September 22	Wednesday	Healthcare disparities
8	September 27	Monday	Demand for health care
9	September 29	Wednesday	Insurance and job lock
10	October 4	Monday	Medicaid
11	October 6	Wednesday	Medicaid
12	October 18	Monday	Medicare
13	October 20	Wednesday	ACA
14	October 25	Monday	ACA
15	October 27	Wednesday	Supply of health care: Physicians
16	November 1	Monday	Supply of health care: Physicians
17	November 3	Wednesday	Supply of health care: Physicians
18	November 8	Monday	Supply of health care: Hospitals
19	November 10	Wednesday	Supply of health care: Hospitals
20	November 15	Monday	Medical malpractice
21	November 17	Wednesday	International comparisons
22	November 22	Monday	Opioid epidemic
23	November 29	Monday	COVID-19
24	December 1	Wednesday	COVID-19
25	December 6	Monday	Student presentations
26	December 8	Wednesday	Student presentations

## Required readings

All papers are required reading. Papers with \*\* are for student presentations.

### Why is health care different? (August 30)

- Baicker, K. and Chandra, A. (2008). Myths and misconceptions about US health insurance. *Health Affairs*, 27(6):w533–w543
- Fuchs, V. R. (2010). Health care is different—that’s why expenditures matter. *JAMA: The Journal of the American Medical Association*, 303(18):1859–1860

### Adverse selection (September 1 and September 8)

- Cutler, D. M. and Reber, S. J. (1998). Paying for health insurance: the trade-off between competition and adverse selection. *The Quarterly Journal of Economics*, 113(2):433–466
- Einav, L. and Finkelstein, A. (2011). Selection in insurance markets: Theory and empirics in pictures. *The Journal of Economic Perspectives*, 25(1):115–138

### Moral hazard (September 13 and September 15)

- Chernew, M. E. and Newhouse, J. P. (2008). What does the RAND Health Insurance Experiment tell us about the impact of patient cost sharing on health outcomes? *The American journal of managed care*, 14(7):412–414
- \*\*Chandra, A., Flack, E., and Obermeyer, Z. (2021). The health costs of cost-sharing. *NBER Working Paper No. 28439*
- Gladwell, M. (2005). The moral-hazard myth. *The New Yorker*, 29:44–49
- Aron-Dine, A., Einav, L., and Finkelstein, A. (2013). The RAND Health Insurance Experiment, three decades later. *The Journal of Economic Perspectives*, 27(1):197–222

### Healthcare disparities (September 20 and September 22)

- \*\*Alsan, M. and Wanamaker, M. (2018). Tuskegee and the health of black men. *The Quarterly Journal of Economics*, 133(1):407–455
- \*\*Hill, A., Jones, D., and Woodworth, L. (2020). Physician-patient race-match reduces patient mortality. *Unpublished*
- Obermeyer, Z., Powers, B., Vogeli, C., and Mullainathan, S. (2019). Dissecting racial bias in an algorithm used to manage the health of populations. *Science*, 366(6464):447–453

### Demand for health care (September 27)

- \*\*Anderson, M., Dobkin, C., and Gross, T. (2012). The effect of health insurance coverage on the use of medical services. *American Economic Journal: Economic Policy*, 4(1):1–27
- Gawande, A. (2009). The cost conundrum. *The New Yorker*, 1:36–44

### **Insurance and job lock (September 29)**

- \*\*Garthwaite, C., Gross, T., and Notowidigdo, M. J. (2014). Public health insurance, labor supply, and employment lock. *The Quarterly Journal of Economics*, 129(2):653–696

### **Medicaid (October 4 and October 6)**

- \*\*Finkelstein, A., Taubman, S., Wright, B., Bernstein, M., Gruber, J., Newhouse, J. P., Allen, H., Baicker, K., et al. (2012). The oregon health insurance experiment: Evidence from the first year. *Quarterly Journal of Economics*, 127(3):1057–1106
- \*\*Goodman-Bacon, A. (2021). The long-run effects of childhood insurance coverage: Medicaid implementation, adult health, and labor market outcomes. *American Economic Review*, 111(8):2550–2993

### **Medicare (October 18)**

- \*\*Card, D., Dobkin, C., and Maestas, N. (2008). The impact of nearly universal insurance coverage on health care utilization: Evidence from Medicare. *American Economic Review*, 98(5):2242–2258

### **Affordable Care Act (October 20 and October 25)**

- \*\*Courtemanche, C., Marton, J., Ukert, B., Yelowitz, A., and Zapata, D. (2017). Early impacts of the affordable care act on health insurance coverage in medicaid expansion and non-expansion states. *Journal of Policy Analysis and Management*, 36(1):178–210
- Gruber, J. and Sommers, B. (2019). The affordable care act’s effects on patients, providers, and the economy: what we’ve learned so far. *Journal of Policy Analysis and Management*, 38(4):1028–1052
- \*\*Miller, S., Johnson, N., and Wherry, L. R. (2021). Medicaid and mortality: new evidence from linked survey and administrative data. *Quarterly Journal of Economics*, 136(3):1783–1829

### **Supply of health care – Physicians (October 27, November 1, and November 3)**

- \*\*Clemens, J. and Gottlieb, J. D. (2014). Do physicians’ financial incentives affect medical treatment and patient health? *American Economic Review*, 104(4):1320–1349

- \*\*Clemens, J. and Gottlieb, J. D. (2017). In the shadow of a giant: Medicare’s influence on private physician payments. *Journal of Political Economy*, 125(1):1–39
- \*\*Alexander, D. and Schnell, M. (2021). The impacts of physician payments on patient access, use, and health. *NBER Working Paper No. 26095*

### **Supply of health care – Hospitals (November 8 and November 10)**

- \*\*Duggan, M. (2000). Hospital ownership and public medical spending. *The Quarterly Journal of Economics*, 115(4):1343–1373
- \*\*Gupta, A. (2021). Impacts of performance pay for hospitals: The readmissions reduction program. *American Economic Review*, 111(4):1241–1283

### **Medical malpractice (November 15)**

- \*\*Currie, J. and MacLeod, W. B. (2008). First do no harm? tort reform and birth outcomes. *The Quarterly Journal of Economics*, 123(2):795–830

### **International comparisons (November 17)**

- Cutler, D. M. and Ly, D. P. (2011). The (paper)work of medicine: Understanding international medical costs. *Journal of Economic Perspectives*, 25(2):3–25
- The Commonwealth Fund. (2020). Health system overviews of: Canada, Britain, Singapore, Germany, Switzerland, France, Australia and the U.S.

### **Opioid epidemic (November 22)**

- \*\*Alpert, A., Powell, D., and Pacula, R. L. (2018). Supply-side drug policy in the presence of substitutes: Evidence from the introduction of abuse-deterrent opioids. *American Economic Journal: Economic Policy*, 10(4):1–35
- Cicero, T. J., Ellis, M. S., Surratt, H. L., and Kurtz, S. P. (2014). The changing face of heroin use in the united states: a retrospective analysis of the past 50 years. *JAMA Psychiatry*, 71(7):821–826
- Talbot, M. (2017). The addicts next door. *The New Yorker*

### **COVID-19 (November 29 and December 1)**

- Levere, M., Rowan, P., and Wysocki, A. (2021). The adverse effects of the covid-19 pandemic on nursing home resident well-being. *Journal of the American Medical Directors Association*, 22(5):948–954
- \*\*Altindag, O., Erten, B., and Keskin, P. (2021). Mental health costs of lockdowns: Evidence from age-specific curfews in turkey. *American Economic Journal: Applied Economics*, Forthcoming
- \*\*Leslie, E. and Wilson, R. (2020). Sheltering in place and domestic violence: Evidence from calls for service during covid-19. *Journal of Public Economics*
- Alsan, M., Chandra, A., and Simon, K. (2021). The great unequalizer: Initial health effects of covid-19 in the united states. *Journal of Economic Perspectives*, 35(3):25–46