

# ECO 748: Health Economics

Hunter College  
Department of Economics

**Professor:** Michael Levere ([michael.levere@hunter.cuny.edu](mailto:michael.levere@hunter.cuny.edu))

**Office Hours:** Mondays 9:30-10:30 pm, Room TBD

**Class Meetings:** Mondays, 7:35-9:25 pm, Hunter West 116

**Required Textbook:** None. All required reading materials will be posted on the Hunter Reserve System.

**Course Description:** Health care expenditures account for approximately  $\frac{1}{6}$  of GDP in the United States as of 2014, the highest of any country in the world. Yet the United States ranks 43rd in terms of life expectancy, only higher than Russia of the G8 countries. This course will explore empirical issues related to health care economics, particularly in the United States. 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

**Co-requisites:**

1. ECO 701 Microeconomic Theory
2. ECO 721 Economic Statistics

**Class participation (20%):** The first component of your grade is class participation. You must attend class, have prepared for class, and engage in discussion. Regular participation is expected. Required readings will be available at least one week before each class.

**Presentations (20%):** Students will lead discussions of several papers we read in a 15-20 minute presentation. Groups of one to two 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 \*\*. Before class on 9/25, send me a list of the five papers you would most like to present, along with the other student you will present with (if you do not want to present alone). I will do my best to accommodate everyone's top choices, and will send back your assignment no later than 10/2. In your presentation, you should be sure to address:

- What are the key research questions this paper addresses?
- How is this issue related to applied microeconomics?
- What data does the author use? How did he or she get access to the data?
- What model does the author 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 issues did you find with the paper? What other key topics that we have studied this semester does it relate to?

**Data analysis (20%):** 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 recent data from the American Community Survey (ACS), with the data for 2016 scheduled to be released in mid-September. 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 (40%):** Each student will be expected to produce a "proposal" of a research project he or she 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 care 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. You should indicate the type of model you would estimate, along with the data that you would use to answer this research question. You can include hypotheses for what you might find, indicating why you anticipate this to be the case. Be sure to provide a justification for why this is an important and interesting research question. The proposal should be approximately 10 pages. You should plan to meet with

me by the end of October to discuss a rough idea of your proposed project and to get some initial feedback.

**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 will generally be available on Mondays before class, though realize that many of you may have a conflict then. If Monday before class works and you would like to meet then, please e-mail to schedule an appointment.

Academic dishonesty will not be tolerated. No dictionaries, cell phones, headphones, or PDAs of any kind are allowed during exams, nor is talking to other students, however briefly or for whatever reason. Hunter College regards acts of academic dishonesty (e.g., plagiarism, cheating on examinations, obtaining unfair advantage, and falsification of records and official documents) as serious offenses against the values of intellectual honesty. The College is committed to enforcing the CUNY Policy of Academic Integrity and will pursue cases of academic dishonesty according to the Hunter College Academic Integrity Procedures.

In compliance with the American Disability Act of 1990 (ADA) and with Section 504 of the Rehabilitation Act of 1973, Hunter College is committed to ensuring educational parity and accommodations for all students with documented disabilities and/or medical conditions. It is recommended that all students with documented disabilities (Emotional, Medical, Physical, and/or Learning) consult the Office of AccessABILITY, located in Room E1214B, to secure necessary academic accommodations. For further information and assistance, please call: (212) 772- 4857 or (212) 650-3230.

## Proposed Course Outline

August 28	Introduction
September 4	No Class (Labor Day)
September 11	Why is health care different?
September 18	Adverse selection
September 25	Moral hazard
October 2	Econometrics review/causal identification (Part 1)
October 9	No Class (Columbus Day)
October 16	Econometrics review/causal identification (Part 2)
October 23	Demand for health care
October 30	Private health insurance markets
November 6	Medicaid and Medicare
November 13	Affordable Care Act: Changes in health care coverage
November 20	Affordable Care Act: Changes in provision of health care
November 27	Supply of health care (Part 1)
December 4	Supply of health care (Part 2)
December 11	Medical malpractice
December 18	Special topic: Opioid epidemic

## Required readings

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

To access the readings, go to [this](#) website and enter password levere748. Readings are listed by title of the article.

### Week 1: Why is health care different?

- 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
- Cutler, D. M. and Zeckhauser, R. J. (2000). The anatomy of health insurance. *Handbook of health economics*, 1:563–643

### Week 2: Adverse selection

- Chandra, A., Gruber, J., and McKnight, R. (2011). The importance of the individual mandate—evidence from massachusetts. *New England Journal of Medicine*, 364(4):293–295
- 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

### Week 3: Moral hazard

- Baicker, K. and Goldman, D. (2011). Patient cost-sharing and healthcare spending growth. *The Journal of Economic Perspectives*, 25(2):47–68
- 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
- Newhouse, J. P. (2006). Reconsidering the moral hazard-risk avoidance tradeoff. *Journal of Health Economics*, 25(5):1005–1014
- Gladwell, M. (2005). The moral-hazard myth. *The New Yorker*, 29:44–49

### Week 4 & 6: Econometrics review

- Deshpande, M. (2016). Does welfare inhibit success? the long-term effects of removing low-income youth from disability insurance. *The American Economic Review*, 106(11):3300–3330
- Angrist, J. D. (1990). Lifetime earnings and the Vietnam era draft lottery: evidence from social security administrative records. *The American Economic Review*, 80(3):313–336
- 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. *The Quarterly Journal of Economics*, 127(3):1057–1106
- Bharadwaj, P. (2015). Impact of changes in marriage law: Implications for fertility and school enrollment. *Journal of Human Resources*, 50(3):614–654

#### **Week 7:** Demand for health care

- \*\*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
- 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
- Gawande, A. (2009). The cost conundrum. *The New Yorker*, 1:36–44

#### **Week 8:** Private health insurance markets

- \*\*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
- Kolstad, J. T. and Kowalski, A. E. (2016). Mandate-based health reform and the labor market: Evidence from the Massachusetts reform. *Journal of Health Economics*, 47:81–106

#### **Week 9:** Medicaid and Medicare

- \*\*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
- Cutler, D. M. and Gruber, J. (1996). Does public insurance crowd out private insurance? *The Quarterly Journal of Economics*, 111(2):391–430
- Finkelstein, A. and McKnight, R. (2008). What did Medicare do? the initial impact of Medicare on mortality and out of pocket medical spending. *Journal of Public Economics*, 92(7):1644–1668

**Week 10:** Affordable Care Act – Changes in health care coverage

- \*\*Antwi, Y. A., Moriya, A. S., and Simon, K. (2013). Effects of federal policy to insure young adults: Evidence from the 2010 affordable care act’s dependent-coverage mandate. *American Economic Journal: Economic Policy*, 5(4):1–28
- \*\*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

**Week 11:** Affordable Care Act – Changes in provision of health care

- Simon, K., Soni, A., and Cawley, J. (2017). The impact of health insurance on preventive care and health behaviors: evidence from the first two years of the aca medicaid expansions. *Journal of Policy Analysis and Management*, 36(2):390–417
- \*\*Antwi, Y. A., Moriya, A. S., and Simon, K. (2015). Access to health insurance and the use of inpatient medical care: Evidence from the affordable care act young adult mandate. *Journal of Health Economics*, 39:171–187
- \*\*Kolstad, J. T. and Kowalski, A. E. (2012). The impact of health care reform on hospital and preventive care: Evidence from massachusetts. *Journal of Public Economics*, 96(11):909–929

**Weeks 12 & 13:** Supply of health care

- \*\*Bloom, N., Propper, C., Seiler, S., and Van Reenen, J. (2015). The impact of competition on management quality: Evidence from public hospitals. *The Review of Economic Studies*, 82(2):457–489
- \*\*Clemens, J. and Gottlieb, J. D. (2014). Do physicians’ financial incentives affect medical treatment and patient health? *American Economic Review*, 104(4):1320–1349
- Duggan, M. (2000). Hospital ownership and public medical spending. *The Quarterly Journal of Economics*, 115(4):1343–1373
- \*\*Finkelstein, A. (2007). The aggregate effects of health insurance: Evidence from the introduction of medicare. *The Quarterly Journal of Economics*, 122(1):1–37
- \*\*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
- Baker, L. C. (1997). The effect of HMOs on fee-for-service health care expenditures: Evidence from medicare. *Journal of Health Economics*, 16(4):453–481

**Week 14:** Medical Malpractice

- \*\*Kessler, D. and McClellan, M. (1996). Do doctors practice defensive medicine? *The Quarterly Journal of Economics*, 111(2):353–390

- \*\*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

### **Week 15: Opioid Epidemic**

- Alpert, A., Powell, D., and Pacula, R. L. (2017). Supply-side drug policy in the presence of substitutes: Evidence from the introduction of abuse-deterrent opioids. *NBER Working Paper No. 23031*
- 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*