

December 12, 2014 (subject to change and amendment)

Course Outline for Economics 2CC3, Health Economics and its Applications to Health Policy/Health, Aging, and Society 2C03, Winter Term, 2014-2015

Instructor: David Feeny, PhD; Office: KTH 437, Telephone: 905 525 9140, ext. 24527; E-Mail: feeny@mcmaster.ca; please put Econ 2CC3 in subject heading of any e-mail messages that you send to me

Class Meeting:

Mondays and Wednesday: 11:30 am - 12:20 pm, Psychology 155
Friday 1:30 - 2:20 pm, Psychology 155

Office Hours: Monday and Wednesday, 9:30 - 11:00 am; or by appointment

Teaching Assistant: Marjan Walli-Attai; walliam@mcmaster.ca

Office Hours: Thursdays, 11:30 am - 12:30 pm; Communications Research Laboratory, Room 220

From the University Calendar: “**ECON 2CC3 - Health Economics and its Application to Health Policy**, 3 unit(s). Economic analysis of health and health care, with a special emphasis on policy issues in the Canadian health care system. Three hours (lectures and discussion); one term

Prerequisite(s): Registration in Level II or above

Antirequisite(s): HEALTHST 2C03

Cross-list(s): [HLTH AGE 2C03](#). *Not open to students registered in an Economics program or with credit or registration in [ECON 2G03](#), [2X03](#) or [3Z03](#). Students excluded from ECON 2CC3 or those wishing to do further work in Health Economics are referred to [ECON 3Z03](#). May not be used to satisfy Economics unit requirements by students in Economics programs or a minor in Economics.*”

Last day to drop/add a course: Tuesday January 13, 2015.

Last day to **withdraw without penalty**: Friday March 13, 2015.

Purpose and Objectives of Course. The purpose of this course is to give you an understanding of the economics of health, healthcare and health policy, with an emphasis on the Canadian context. We will examine the production of health status, the demand for and supply of healthcare services, and the special attributes of healthcare markets and the implications of those attributes for the financing, funding, organization, delivery of healthcare services, and public policy. We will analyse the roles of externalities, risk, imperfect information, asymmetries of information, and institutional arrangements in affecting behaviour in healthcare as well as the formulation and implementation of health policy. We will also examine issues of efficiency and equity.

Objectives of Course. Major objectives of the course include a better understanding of analytical tools and the role of institutional arrangements in affecting performance and behaviour in the health sector and an improved ability to apply economic, health policy analysis, and other tools to issues in health and healthcare. By the end of the course students should have developed a better understanding of the economic and non-economic factors that affect health status, a better understanding of the determinants of market success and market failure, the role of institutional arrangements and the role of public policy.

Determination of Marks

Students will be evaluated on the basis of their written work on the five assignments and the midterm and final examinations and the critical review, and in borderline cases, on the basis of their class participation. The final mark will be a weighted average of the marks on the three written exercises with the weights given as follows:

Problem Sets	15%; Five worth 3 points each; assigned periodically
Mid-term Examination	20%, Friday February 27, 2015
Critical Review	30%, due no later than Friday March 20, 2015
Final Examination	35%

Periodically short-answer problem sets and their due date will be posted on the *Avenue to Learn*, <http://avenue.mcmaster.ca/>. These will consist short-answer problems or questions. The questions listed at the end of chapters in the textbook for the course, Jeremiah E. Hurley, *Health Economics*, First Edition. McGraw-Hill Ryerson, Ltd., 2010, are examples of the kinds of problems that will be assigned.

Examinations will consist of essay questions, mainly long-answer but perhaps some short-answer questions as well. Students will be responsible on examinations for material found in the **Assigned Reading** and material covered in class. Students are encouraged to read some of the materials listed under **Enrichment** but will not be expected to have read that material for purposes of examination. The final examination will be comprehensive; it will include material from throughout the course with an emphasis on material covered since the mid-term examination. Students are **permitted to bring a single page** (216 mm by 279 mm or 8.5 inches by 11 inches) to examinations; otherwise examinations will be closed book.

If you miss the mid-term examination, you will not receive a mark unless you complete *The McMaster Student Absence Reporting Form – MSAF* within five business days of the test date. Students must take their documentation to their faculty Associate Dean’s Office or Program Office and file a *Permission to use MSAF*; <https://pinjap01.mcmaster.ca/msaf/offline.jsp>
In the event that a student misses the mid-term examination for a legitimate and verifiable reason, the weight of the missed examination will be added to the weight of the final examination.

Critical Review. In the critical review the student will assess the analytical arguments **and** empirical evidence on a behavioural proposition about the economics of health found in a particular article, book, or report. The critical review should be less than or equal to 1,250 words (approximately 5 pages, typed and double-spaced). Papers in excess of 1,250 words will be evaluated solely on the basis of the first 1,250 words. (If the review or portions of it are to be submitted as part of the course requirements for another course, prior approval of both instructors concerned is necessary.)

Works listed at the end of the chapters in the textbook and listed under Enrichment provide examples of possible sources and topics. Students are, however, also encouraged to identify alternative sources and topics. The critical review need not be on a topic relating to the Canada or the Canadian healthcare system.

A **Proposal** listing the behavioural proposition to be studied (example: the demand for health-care services is inelastic with respect to price) and the article, book, or report to be critically reviewed are due by Friday February 6, 2015. Proposals and papers should be double spaced. The review itself is due no later than Friday March 20, 2015. **LATE PAPERS WILL BE PENALIZED!!!** Reviews will not be accepted after Wednesday April 8, 2015. (If I am not in my office, late reviews may be submitted at the Departmental office, KTH 426; please have a staff member date and time the submission.) A copy of the approved proposal **must** be submitted with the critical review. The penalty for late reviews is 3 points (out of 100) per business day. I will **NOT** accept submission as file attachments to e-mail messages. It is recommended that students keep a copy of the version of the critical review that they submit for marking.

The critical review should **not** primarily be a summary of the evidence and conclusions presented in the reference consulted. Proper footnoting and attribution of ideas and evidence are, however, required.

The focus of the critical review should be on selecting and motivating an issue and explaining why it is important, assessing the analytical approach and arguments used in the work being reviewed and their relevance to the issue, examining the empirical evidence provided in the work being reviewed and its relevance to the issue at hand, and finally statements concerning what may or may not be concluded on the basis of the analysis and evidence provided and recommendations for future research. The issue for investigation will need to be carefully matched to the the reading selected. Success on the assignment will depend in part on topic selection and the selection of a suitable work for critical review. Textbooks in general make poor choices for the critical review. Essays in *Wikipedia* are not eligible for the critical review.

Academic Integrity. Any work that you turn in for grades must be your own. There are two McMaster University Senate policies that together outline how the autonomy of your work is protected and how those who do not earn their marks will be adjudicated: **Academic Integrity Policy** (<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf>) and **Student Code of Conduct** (<http://www.mcmaster.ca/policy/Students->

AcademicStudies/StudentCode.pdf).

Textbook. Jeremiah E. Hurley, *Health Economics*, First Edition. McGraw-Hill Ryerson, Ltd., 2010. ISBN 978-0-07-091648-7.

Web site for textbook: <http://www.mheducation.ca/olc/hurley/>

Enrichment

Robert B., Evans, *Strained Mercy: The Economics of Canadian Health Care*. Toronto: Butterworth & Co. (Canada) Ltd., 1984.

Although dated, Evans (1984) is a valuable resource.

Assigned and enrichment readings are listed below. It is recommended that you read the assigned reading for a topic **before** the lecture(s) on that topic. Unless otherwise specified, the appendices to chapters are **included** in the assigned reading. Items listed as **Enrichment** are provided for those who wish to investigate a particular topic in more depth; in some cases items listed as Enrichment as used as source material for lectures.

Week 1, January 5-9, 2015; Health and Health Care Systems: An Introduction; **Assigned Reading**, Hurley (2010), Preface and Chapter 1

Resource Endowments; Technology; Preferences; Institutions
Organization of the Canadian Healthcare System

Enrichment

Canada's Health Care System:

<http://www.hc-sc.gc.ca/hcs-sss/pubs/system-regime/2011-hcs-sss/index-eng.php>

National Health Expenditures:

<http://www.cihi.ca/CIHI-ext-portal/internet/EN/SubTheme/spending+and+health+workforce/spending/cihi015954>

Organization for Economics Cooperation and Development, *Health at a Glance:*

<http://www.oecd.org/health/health-systems/health-at-a-glance.htm>

Week 2, January 12-16; Efficiency and Equity; **Assigned Reading**, Hurley (2010), Part One and Chapter 2

Week 3, January 19-23; The Basics of Markets; **Assigned Reading**, Hurley (2010), Chapter 3

Week 4, January 26-30; Individual-Level Demand for and Production of Health; **Assigned Reading**, Hurley (2010), Part Two and Chapter 5

Enrichment

Barrera, Albino, "The Role of Maternal Schooling and its Interaction with Public Health Programs in Child Health Production." *Journal of Development Economics*, Vol. 32, No. 1, January, 1990, pp 69-91.

Week 5, February 2-6; The Nature of Health Care as an Economic Commodity; **Assigned Reading**, Hurley (2010), Part Three and Chapter 7

Before class please listen to this to song. In class we will discuss briefly the interpretation and implications of the lyrics.

Janis Joplin, Michael McClure, and Bob Neuwirth, 1970, *Mercedes Benz*

<http://www.youtube.com/watch?v=7tGuJ34062s>

Performed by Janis Joplin

Enrichment

Arrow, Kenneth J., "Uncertainty and the Welfare Economics of Medical Care." *American Economic Review*, Vol. 53, No. 5, December, 1963, 941-973.

Week 6, February 9-13; The Demand for Health Care and The Demand for Health Care Insurance; **Assigned Reading**, Hurley (2010), Chapters 8 and 9

Enrichment

Manning, Willard G., Joseph P. Newhouse, Naihua Duan, Emmett B. Keeler, Arleen Leibowitz, and M. Susan Marquis, "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment." *American Economic Review*, Vol. 77, No. 3, June, 1987, pp 251-277.

Nyman, John A., "The Economics of Moral Hazard Revisited." *Journal of Health Economics*, Vol. 18, No. 6, December, 1999, pp 811-824.

Nyman, John A., "The value of health insurance: the access motive." *Journal of Health Economics*, Vol 18, No. 2, April, 1999, pp 141-152.

Break Week, February 16-21

Week 7, February 23-27; Private Insurance Markets; **Assigned Reading**, Hurley (2010), Chapter 10

Week 8, March 2-6; The Determinants of Population Health; **Assigned Reading**, Hurley (2010), Chapter 6

Enrichment

Cutler, David, Angus Deaton, and Adrianna Lleras-Muney, “The Determinants of Mortality.” *Journal of Economic Perspectives*, Vol. 20, No. 3, Summer, 2006, pp 97-120.

Feeny, David H., Mark S. Kaplan, Nathalie Hugué, and Bentson H. McFarland, “Comparing Population Health in the United States and Canada..” *Population Health Metrics*, Vol. 8:8, published on-line April 29, 2010; doi:10.1186/1478-7954-8-8.

<http://www.pophealthmetrics.com/content/8/1/8>

James, Paul D., Russell Wilkins, Allan S. Detsky, Peter Tugwell, and Douglas G. Manuel, “Avoidable mortality by neighbourhood income in Canada: 25 years after the establishment of universal health insurance.” *Journal of Epidemiology and Community Health*, Vol. 61, No. 4, April, 2007, pp 287-296.

Kaplan, Mark S., Nathalie Hugué, Heather Orpana, David Feeny, Bentson H. McFarland, and Nancy Ross, “Prevalence and Factors Associated with Thriving in Older Adulthood: A 10-year Population-based Study.” *Journal of Gerontology. Series A, Medical Sciences*, Vol. 63A, No. 10, October, 2008, pp 1097-1104.

Smith, James P., “Healthy Bodies and Thick Wallets: The Dual Relation Between Health and Economic Status.” *Journal of Economic Perspectives*, Vol. 13, No. 2, Spring, 1999, pp 145-166.

Week 9, March 9-13; Systems of Health Care Finance; **Assigned Reading**, Hurley (2010), Part Five and Chapter 11

Before class please listen to this to song. In class we will discuss briefly the interpretation and implications of the lyrics.

Yip Harburg (lyrics) and Jay Gorney (music), 1931, *Brother, Can You Spare a Dime*

<http://www.youtube.com/watch?v=zrPOqDRQErw>

Performed by The Weavers

Week 10. March 16-20; Physicians, Their Practices, and the Market for Physician Services; **Assigned Reading**, Hurley (2010), Part Six and Chapter 13

[Critical Review due in class, Friday March 20]

Week 11, March 23-27; Health Care Institutions: Hospitals; **Assigned Reading**, Hurley (2010), Chapter 14

Enrichment

Harris, Jeffrey E., "The Internal Organization of Hospitals: Some Economic Implications." *Bell Journal of Economics*, Vol. 8, No. 2, Autumn, 1977, pp 467-482.

Week 12, March 30 and April 1; Pharmaceuticals and Methods of Economic Evaluation;
Assigned Reading, Hurley (2010) Chapters 15 and 4

Week 13, April 6 and 8; Aging and Technology: Do They Threaten the Sustainability of the Health Care System? **Assigned Reading**, Hurley (2010), Part Seven and Chapter 16

Enrichment

Baumol, William J., and Warren E. Oates, "The Cost Disease of the Personal Services and the Quality of Life." *Skandinaviska Enskilda Banken Quarterly Review*, Vol. 2, 1972, pp 44-54.

Baumol, William J., "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis." *American Economic Review*, Vol. 57, No. 3, June, 1967, pp 415-426.

<http://pages.stern.nyu.edu/~wbaumol/>

Williams, Alan, "Intergenerational Equity: An Exploration of the 'Fair Innings' Argument." *Health Economics*, Vol. 6, No. 2, March, 1997, pp 117-132.

Final Examination:

Some Guides on Writing

McCloskey, Donald, "Economic Writing." *Economic Inquiry*, Vol 24, No. 2, April, 1985, pp 187-222.

McCloskey, Donald N., *The Writing of Economics*. New York: MacMillan Publishing, 1987.

Strunk, William, Jr., and F. B. White, *The Elements of Style*, Second Edition. New York: MacMillan Company, 1972.

An Interesting Paper

Gans, Joshua S., and George B. Shepherd, "How Are the Mighty Fallen: Rejected Classic Articles by Leading Economists." *Journal of Economic Perspectives*, Vol. 8, No. 1, Winter, 1994, pp 165-179.

Useful Search Engine. PubMed from the U.S. National Library of Medicine is a useful search

engine for published papers on health, health economics, and health policy:

<http://www.ncbi.nlm.nih.gov/entrez/query.fcgi>

Another useful search engine is

EconLit

which you can access through the Databases section of the McMaster University Libraries website. You can also access PubMed via the library.

Potentially Relevant Journals. Journals that often include papers on health economics, health policy, and related topics include:

American Journal of Health Economics
European Journal of Health Economics
Health Affairs
Health Economics
Health Policy
Health Reports
Health Services Research
Inquiry
International Journal of Technology Assessment in Health Care
Journal of Epidemiology and Community Health
Journal of Health Economics
Journal of Health Politics, Policy and Law
Journal of Human Resources
Medical Care
Medical Care Research and Review
Medical Decision Making
Milbank Quarterly
Pharmacoeconomics
Quality of Life Research
Social Science & Medicine
Value in Health