The purpose of this course is to present ways in which economics analysis can be used to explain various types of behavior in the health care industry. Methods are explained that are useful in the analysis of the demand for and supply of medical care. The industry will be described in an economic context; tools of microeconomic analysis will be used to analyze behavior of consumers, producers, and insurers; public policies to regulate the industry and provide services for the poor and elderly will be analyzed from the perspective of economic efficiency. Finally, the theories developed throughout the course will be applied to current policy problems.


**Readings**

Readings (*) are available on the Undergraduate Library reserve system Internet through the library website under the course number. Those labeled “Further Reading” are for background in case anyone would like more information.

R. J. Arnould, R. Rich; and W. White, (ARW), *Competitive Approaches to Health Care Reform*, Washington: Urban Institute Press, 1993. (This will be available at the Undergraduate Library. Unfortunately, it is out of print, but we will be using it extensively during section 7.

**Requirements:** There will be a midterm worth 40% and final worth 50% of your total grade. The other 10% will be based on classroom participation.

**Approximately Midterm:** October 10, 2014, 7:00 PM

1. **Introduction**

   **Required**
   *Phelps, Ch. 1 to p. 8.
   *ARW, Chapter 12, Sloan, “Does the Market Choose the Correct Incentives to Get the Desired Outcomes? Market Failures Reexamined?*

2. **An Overview of Medical Care Markets**

   *Phelps, Ch. 1, pps. 8-end of chapter.

3. **The Economic Yardstick and Cost/Benefit Analysis**

   **Required**
   *Phelps, Ch 14-especially the appendix.
   *Read the chapters on general equilibrium and welfare optimization in any intermediate micro theory text.

   **Further Reading**

4. The Production of Health and Demand for Health

**Required**
- Phelps, Ch. 2, 3, 4 (except 96-106).
- Phelps, Ch. 5
- Phelps, Ch. 6
- Phelps, Ch. 7
- Phelps, Ch. 8
- Phelps, Ch. 9
- Phelps, Ch. 10
- Phelps, Ch. 11
- Phelps, Ch. 12
- Phelps, Ch. 13
- Phelps, Ch. 14
- Phelps, Ch. 15
- Phelps, Ch. 16

**Recommended**
- Folland, Goodman and Stano, The Economics of Health and Health Care, Prentice Hall, Ch. 6.

5. The Effect of Medical Care on Health

**Required**
- Phelps, Ch. 5

**Further Reading**

6. Health Insurance and Moral Hazard

**Required**
- Phelps, Ch. 4, pp. 96-106, Ch. 10, 11.
- Phelps, Ch. 12.
- Phelps, Ch. 13.
- Phelps, Ch. 14.
- Phelps, Ch. 15.
- Phelps, Ch. 16.

**Further Reading**

7. Competition vs. Regulation

**Required**
- ARW, Ch. 1, 2, 4, 5, 6.
- Phelps, Ch. 12, 15.

**Further Reading**

8. Current Health Reform in the US

**Required**
- Phelps, Ch 16 (Review Ch. 12, 15)
- Health Reform Powerpoints prepared by Cornerstone*
*Newhouse, Joseph, (Sept. 2010), “Assessing Health Reform’s Impact on Four Key Groups of Americans,” Health Affairs 29, No. 9 (2010), go to http://content.healthaffairs.org/cgi/content/abstract/hlthaff.2010.0595 and click on full article
*Gruber, J, Health Care Reform, Hill and Wang, a Division of Farrar, Straus, and Giroux, 2011.

9. Physician Services Markets
   Required
   *Phelps, Ch. 6, 7.

10. The Hospital Industry
    Required
        Phelps, Ch. 8, 9.

11. Hospital Mergers and Competition
    Required

12. Long-Term Care
    Required

13. Medical Malpractice
    Required
        *Phelps, Ch, 13.
    Further Reading
14. The Economics of Vaccines

**Required**

**Further Reading**