COURSE DESCRIPTION & LEARNING OUTCOMES
This is a course in applied microeconomics. It is designed for students who already understand basic consumer and producer theory, and focuses on how health care markets differ from other markets. Because of asymmetric information, uncertainty, government involvement, and externalities, the economics of the health care sector and its players (patients, providers, insurers, employers, and government) requires a special analysis.
We will learn how to apply microeconomic tools to study the medical care system and analyze the economic aspects of health care policy implications. In the process we will also learn the institutional structure of the US health care market.
There is a large paper/presentation requirement in this course that provides students with valuable experience on how to research and present academic material both in a written form and orally.
Prerequisite: Economics 301, or 311 or Public Affairs 880.

COURSE REQUIREMENTS & GRADING
1. Problem Sets (10% of grade).
2. Midterm Examination (20% of grade).
   In class, February 27.
3. Term paper (20% of grade).
   Due date: Thursday, May 3rd, 2:30 pm.
4. Class Presentation (10% of grade).
5. Class Participation (10% of grade).
6. Final Examination (30% of grade).
   Covers all material – Thursday, May 10th, 10:05-12:05 pm.

Required Textbook and Readings:
C.E. Phelps, Health Economics is the main textbook for the course. You can find copies of it at the bookstore and it is also physically on reserve at the College Library (Helen C. White Hall) and the 8th floor Social Science Building Library. All supplemental readings can be accessed through your electronic reserves for our class in MyUW. (Select the e-reserves tab by Econ 548)

Problem Sets, and other course material will be posted in canvas.

This is an economics course. You cannot do well in this class unless you thoroughly understand the economic models and graphs we will cover. Keep your old microeconomics notes and book handy for general reference on economic models/tools/arguments we will use.
The course outline that follows gives the chapters and articles that correspond to the lectures. Optional readings are truly optional. You are expected to come to class prepared and participate. Try to at least skim the relevant material before class and study it well afterwards. In the past, students have found it beneficial to summarize most of the readings and material we cover for an easier review when preparing for exams.

There is a class presentation and paper requirement for this course. Some of the topics in the course outline (marked with **) will be presented by students, in groups of about four. After receiving your topic assignment, you will need to read the relevant material from the course outline, do a thorough library search on the topic, present the topic to the class, and write up a critical review of the existing literature in a group paper. Each student in each group will have to present for about 10 minutes. The joint 20-30-page paper should be a lot more detailed (then the presentation) and should rely on a large number of good sources. I will guide you with your literature search, and organization of ideas. I will help you prepare for your presentation, and I will read first drafts of the paper. The whole experience should be educational and enjoyable.

**Quality** class participation is also very important for this class. You should always feel free to ask questions and express your opinion. I reserve the right to sometimes answer questions after class.

The problem sets have been constructed carefully and will serve as excellent practice for the exams. You are strongly encouraged to work together with classmates when solving problem set questions, but complete and turn in your own. Students who are regular members of study groups have done significantly better and also have enjoyed the process more. No late problem sets will be accepted.

### COURSE OUTLINE

#### INTRODUCTION TO ECONOMICS & THE HEALTH CARE SYSTEM (Jan. 23, 25).
- **Phelps**, Chapters 1 & 2.

#### THE TRANSFORMATION OF MEDICAL CARE TO HEALTH (Jan. 30).
- **Phelps**, Chapter 3.
- Optional:
LIBRARY CLASS in Memorial Library, room 231- February 6.

PATIENT DEMAND FOR MEDICAL CARE - MORAL HAZARD (Feb. 1, 8, 13).

Phelps, Chapters 4 & 5 (up to page 132).
Optional:

PROVIDER SUPPLY OF MEDICAL CARE
1. PHYSICIANS (Feb. 15).
Phelps, Chapters 6 & 7.
Optional:

2. HOSPITALS (Feb. 20).
Phelps, Chapters 8 & 9 (except pp. 255-261).
Optional:

CASE STUDY: (Feb. 22) "Medicine and the Profit Motive: The Proposed Sale of McLean Hospital", Kennedy School of Government.
Optional:

MIDTERM EXAMINATION ----- Tuesday, February 27th.

HEALTH INSURANCE (March 1, 6)
DEMAND, SUPPLY, & TYPES OF HEALTH INSURANCE
Phelps, Chapter 10, 11.

EMPLOYER SPONSORED HEALTH INSURANCE (March 13)


MEDICAL MALPRACTICE (March 20).
Phelps, Chapter 13.
Optional:

**NURSES AND THE NURSING MARKET (March 22)
Phelps, Chapter 9, pp. 255-261.


Optional:


**GOVERNMENT HEALTH CARE PROGRAMS: MEDICARE (April 3).**

Phelps, Chapter 12 (up to page 365).


Optional:


**GOVERNMENT HEALTH CARE PROGRAMS: MEDICAID (April 5).**

Phelps, Chapter 12 (pp. 365-end).


Optional:


CASE STUDY: (April 10) "Matters of Life and Death: Defunding Organ Transplant in the State of Arizona", Kennedy School of Government.

Optional:


**EXTERNALITIES IN HEALTH AND MEDICAL CARE (April 12).

Phelps, Chapter 14.


Optional:


**GOVERNMENT REGULATION (April 17)

Phelps, Chapter 15, up to page 450.

**FDA - PHARMACEUTICALS (April 19)

Phelps, Chapter 15 (only pp. 450 – end of chapter)


Optional:


**MEDICAL TECHNOLOGY (April 24)

**HEALTH CARE AND THE FUTURE (April 26)**


**INTERNATIONAL HEALTH (May 1, 3)**

**Phelps,** Chapter 16.
