

ECON / HRM 788
HEALTH ECONOMICS
Course Outline

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Fall 2018

Thursday 2pm - 5pm, Room: KTH - 334
Office hours: by appointment.

Note: Aspects of the course as described below are subject to change as the semester progresses. If such changes occur, all reasonable efforts will be made to inform students of any such changes.

Pre-requisites: The course is intended primarily for graduate students in the Department of Economics, the Health Research Methodology program of the Faculty of Health Sciences, and the PhD Program in Health Policy. These students will be given enrolment priority. Pre-requisites are graduate standing in the Department of Economics; or, for students in the HRM and Health Policy PhD programs, some previous training in economics and permission of the instructor.

COURSE DESCRIPTION

This is a survey course on the economics of health and health care, with an emphasis on the Canadian health care system. The course examines the demand for health and health care, the nature of health care as a commodity and the behaviour and organization of health care providers, health care financing and insurance, health care funding, innovation in health care (pharmaceuticals), methods for evaluating health care programs and interventions, and selected other topics.

Particular attention will be given to current public policy issues for which economic analysis has potential to contribute constructively to their resolution.

By the end of the course it is hoped that students will have acquired:

1. A sound understanding of and ability to apply economic concepts in the health sector, cognizant of the special features of the health sector.
2. Institutional knowledge of the health care sector.
3. The ability to think critically about economic aspects of policy issues in the health care sector.

The format of each weekly meeting will be a mixture of lecture and discussion. **It is imperative that you read and digest the assigned readings in advance of each weekly session.** Note that the final exam will make references to and require a good understanding of the readings. It will not be possible to do well on the final exam without having read and understood assigned readings.

Organization of the course

Each week a set of readings from the health economics literature is assigned. You can expect from 2 to 4 required readings (articles/chapters) per week (and a reasonable number of pages, usually around 30). I will provide complete references to all required readings on the required reading list (one reading list per week¹) and/or post some (those that are not easy to find) on the course web-site on “Avenue to Learn”, McMaster’s web-based course resource.

Optional suggested readings are also often listed. These readings are not required but sometimes provide greater context and background for a session or, in many cases, provide a less technical discussion of key issues (often from Professor Hurley’s textbook *Health Economics*). No textbook is required for this course even though you may find it helpful. You can borrow either the Hurley or the Goodman, Folland and Stano from me on a temporary basis to prepare for class.

COURSE EVALUATION

The final grade for the course will be based on a research paper (30%), final exam (35%), assignments (20%), and seminar participation (15%).

Participation: The course is seminar style, with a mixture of lecture and discussion. Participation will be judged on the basis of your preparedness for each session (Did you do the readings? Were you prepared to address the questions posed? Did you formulate your own questions about the readings?) and your contribution to in-class discussion.

Assignments: The course will include a mix of assignments (essays, précis, problems, and so forth). The exact mixture and frequency will depend in part on the number of students in the class.

Final Exam: The final exam will be an in-class 3-hour exam. It will consist of 2-3 sections with likely some choice of questions. The date of the exam will be determined as part of the overall process of setting the fall graduate exam schedule.

¹ Session sheets for each week that describe the session topic, list the readings and offer some questions for preparation can be found at the course website on “Avenue to Learn.” The required readings should be read for the start of class on the session date listed.

Research Paper: As the course progresses we will encounter a number of issues regarding the demand for, production of and distribution of health, and the financing, funding, organization and delivery of health care. For your paper, you should do the following:

1. Pick a very specific question (or proposition) of interest to you. Be sure it is not too broad and that it can be clearly stated. For example:
 - Are for-profit hospitals more efficient than non-profit hospitals?
 - Will improved quality of care reduce health care costs?
 - Does fixed-price competition improve hospital quality?
 - Does competition on the insurance market reduce waste in the production of health care?
 - Does pay-for-performance improve quality of care?
 - Is direct-to-consumer advertising for prescription drugs welfare improving?
 - Will parallel private finance reduce wait times in the public system?
 - Are taxes on health-detrimental behaviours (smoking, eating junk food) justified and why?
 - Will a single-payer model for prescription drugs in Canada reduce spending enough to cover those currently uninsured?
2. Review the relevant literature (both theoretical and empirical) on the issue, focusing on the economic content and perspectives. The review may have to draw on a combination of economic, medical, epidemiological, or other studies depending on the question.
3. Synthesize and critically evaluate the literature. Synthesize means go beyond simply summarizing the ideas and evidence you found in the cited references. It means integrating and organizing the ideas and evidence in a way that provides insight on your specific question and distils the essential points. Critically evaluate means to assess whether we have good reason to believe the arguments or the empirical evidence presented. By the end you should be able to articulate informed conclusions regarding the various claims made regarding the issue at hand.

4. Discuss what the evidence and your conclusions imply about related public policies.

PhD students: If you are a PhD student with experience working with STATA (or R) and ready access to relevant data, you can – with my approval – undertake an empirical analysis for your research paper.

Paper Deadlines:

- short paper proposal is due no later than Thursday, October 18. (Note: This is only six weeks away.) The proposal should include the following:
 1. a clear and explicit statement of your research question (Note a question is an interrogatory sentence that ends in a question mark; it is not a statement that begins with “I am interested in . . .”)
 2. a brief summary of the key issues that you plan to address
 3. a brief bibliography of 3-5 references you have identified so far.

The proposal should be no longer than 2 double-spaced pages.

- The paper itself should be approximately 20 pages in length and is due at the beginning of class on Thursday, December 6. Late papers will be penalized as follows:
 - within 24 hours of due date/time - 5%
 - each 24 hour period after that up to day 7 - 3% each day
 - more than 1 week late: additional 4% per day

All papers must include appropriate referencing of all works cited with full acknowledgement of others’ ideas. If the paper or portions of it are to be submitted as course requirements for another course, prior approval of both instructors is required. I will distribute a rubric for the papers that will describe expectations in greater detail.

Time constraints mean that the proposal is due before we will have had a chance to discuss many issues in class. You must therefore think about what interests you, look at future sessions to see what literature may be relevant, and begin the work early in the semester. A number of assignments throughout the semester are designed to help you develop your paper. If you don’t have a topic identified and approved, you won’t be able to complete the assignments.

TOPICS

PART I: Introduction

1. Week 1: What is health economics? Organization of the course.
2. Week 2: Normative issues in health economics

PART II: Demand for health care

3. Week 3: The health capital model and the demand for health (includes demand for bads such as smoking or junk food, and addictions as seen by economists).
4. Week 4: Demand for health care as a derived demand. Price and income elasticities of demand for health care (the Rand Health Insurance Experiment).

PART III: Supply of health care

5. Week 5: Health care professionals and institutions, their objectives and the environment in which they work (economic perspectives).
6. Week 6: Physician agency. What can we learn from geographic variations in health care utilization? What do we know about supplier-induced demand?

PART IV: Third-party payers in health care

7. Week 7: The demand for health insurance and welfare consequences of moral hazard.
8. Week 8: Competition on the health insurance market and adverse selection as a market failure. Reclassification risk (also known as premium risk) in competitive markets as another potential source of market failure.
9. Week 9: Paying health care providers (funding of health care) and insurers as statistical buyers.

PART V: Innovation and cost-control in health care

10. Week 10: The supply of R&D in health (special emphasis on pharmaceuticals)
11. Week 11: Evaluating innovation (methods of evaluation and technology assessment in health care).
12. Week 12: How much innovation do we want? The Value of Life approach and equity considerations.

Resources

Health Economic Resources on Campus

There are a number of health-related centres and research units on campus, and a handful with explicit interests in health economics and health policy:

Centre for Health Economics and Policy Analysis: an inter-disciplinary research centre devoted to carrying out high-quality health economics and health policy research and to disseminating research results to health decision makers. Located on the second floor of the CRL Building (beside the Health Sciences Centre, behind the Psychology Building). More information can be found at: [CHEPA Website](#)

McMaster Health Forum: a hub for improving health outcomes through collective problem solving. Operating at regional/provincial levels and at national levels, the Forum harnesses information, convenes stakeholders and prepare action-oriented leaders to meet pressing health issues creatively. The Forum acts as an agent of change by empowering stakeholders to set agendas, take well-considered actions and communicate the rationale for actions effectively. Among its products, you may be interested in the “Health Systems Evidence”, an interactive database of systematic reviews on health system interventions at the global level. More information on the Forum at: [Forum Website](#)

HRO-ORS: an online open-access journal on health policy reforms in Canadian provinces and territories (as well as at the federal level). If you need to document a reform (or attempted reform) for an empirical study you are conducting, this could be a place to publish your description of the reform. More at [HRO Website](#) (Disclaimer: I am the editor-in-chief)

Centre for Evaluation of Medicines: an interdisciplinary Centre devoted to research relating to all aspects of evaluating pharmaceuticals and their production, distribution, and use in health care. CEM Website

McMaster Institute for the Environment and Health: An interdisciplinary centre devoted to research relating to health and the environment based in the School of Geography and Geology. MIEH Website

Offord Centre for Child Health Studies: An interdisciplinary research centre investigating factors that effect the successful development of children. A strong interest in how socio-economic and demographic factors, such as lone motherhood and poverty effect child development. OCCS Website

Program for the Assessment of Technology in Health (PATH): PATH is a research centre that focuses on assessing the effectiveness and efficiency of health care technologies, including drugs, devices, and medical procedures. PATH Website

Seminars/Presentations:

The Economics Department often hosts seminars on Wednesdays, 12:30-1:30 and/or on Friday afternoon at 3pm. Both occasionally have health economics presenters. CHEPA has a Seminar Series program, scheduled for the third Wednesday of each month 12:30-1:30pm. The McMaster Institute for Environment and Health sponsors a speakers' series as well. You (especially the PhD students) should attend at seminars when possible. Even if you do not always follow the details of the talk, you can learn a lot about how to present work, handle questions, and interact in professional settings. CHEPA also holds a monthly gathering of all interested in discussing issues pertaining to health economics (the name is simply HEAM, for Health Economics At McMaster). We discuss papers (unpublished research members are conducting or published papers we find intriguing and worth discussing) or issues (econometrics, theoretical, policy issues) relevant to health economics. If you are interested, please let me know and I will add your name to the distribution list (it is very informal).

Labelle Lectureship: The Labelle Lectureship is an annual lecture from a "rising star" in health services research. The Lecture is held every October.

Journals of Interest for Health Economists

The following are some journals that frequently contain health economic analyses. You will use them not only in researching your papers, but to find out what research is being conducted, what the current issues seem to be, and to get a feel for the field of health economics (including the writing “style” of health economists).

Economics Journals: Health economic pieces appear on an *ad hoc* basis (though with increasing frequency) in all the main, general economic journals such as *American Economic Review*, *Canadian Journal of Economics*, *Economic Inquiry*, *Journal of Economic Perspectives*, *Journal of Political Economy*, *Quarterly Journal of Economics*, etc.

There are now a number of speciality economic journals devoted to health economics. The two leading journals are *Health Economics* and *Journal of Health Economics*. Additional journals include: *Applied Health Economics*; *Health, Economics Policy and Law*; *Health Policy*; *International Journal of Health Care Finance and Economics*; *The European Journal of Health Economics*. You should become familiar with these journals.

Health Policy and Health Service Research Journals: Interdisciplinary health policy and health services research journals regularly publish health-economic-oriented articles and are the places where you will find pieces that integrate economic analysis with policy analysis or with more clinically and health-related research. Some leading journals in this category include: *Health Affairs*; *Health Policy*; *Health Services Research*; *Journal of Health, Politics, Policy and Law*; *Journal of Health Services Research and Policy*; *Medical Care*; *Medical Care Research and Review*; *Medical Decision Making*; *Milbank Quarterly*; *Pharmacoeconomics*; *PLOS1*; *Social Science and Medicine*.

Clinical Journals: Some top, general clinical journals regularly feature economic-oriented papers, including: *British Medical Journal (BMJ)*; *Journal of the American Medical Association (JAMA)*; *Lancet*; *New England Journal of Medicine (NEJM)*.

Canadian Health Journals: Because of its population size, Canada cannot support a large number of journals. There are a few that publish health economic, health policy and health services research: *Canadian Journal on Aging*; *Canadian Journal of Public Health*; *Canadian Medical Association Journal (CMAJ)*; *Canadian Public Administration*; *Canadian Public Policy*; *HealthCare Policy*, *HealthCare Papers*, *Open Medicine*.

Health Economic Professional Associations

There are two health professional associations that you should consider joining, even as a graduate student (they have reduced membership rates for graduate students): The Canadian Association of Health Services and Policy Researchers (CAHSPR) and the International Health Economics Association (IHEA). CAHSPR has regular e-mail notices of jobs, conferences, etc. and the CAHSPR website also contains a searchable database of publications relevant to Canadian health policy (many not generally available or included in bibliographic databases such as Econlit, Medline or SSCI) which may be very helpful for term papers. The site can be found at: [CAHSPR Website](#). IHEA publishes a regular electronic newsletter that has a large section on job openings, conferences, etc. Membership is well worth it for the job notices if you are here for an MA only. The IHEA website can be found at: [IHEA Website](#) Last, if you are a PhD student, you may be interested in the Canadian Health Economics Study Group (CHESG), a group that meets on a yearly basis to present and discuss papers by academics and students, which provides a good opportunity to present a job market paper or practice presentation skills in a friendly environment. Here is the website: [CHESG Website](#)

IMPORTANT NOTICES

COURSE MODIFICATION NOTICE:

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.

FACULTY OF SOCIAL SCIENCES E-MAIL COMMUNICATION POLICY:

In order to encourage participation outside of class, we will use the discussion tools of Avenue To Learn. Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the students own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion. Email Forwarding in MUGSI:https://www.mcmaster.ca/uts/selfservice/student_email.html

ALTERNATE/ACCESSIBLE FORMAT

If you require this information in an alternate/accessible format, please contact the Department of Economics.

ACADEMIC INTEGRITY

Academic Integrity: You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at <http://www.mcmaster.ca/academicintegrity>

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

Academic Accommodation of Students with Disabilities

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities: <http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

Avenue to Learn

In this course we will be using Avenue to Learn. Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.