Course Overview: This course provides an introduction to the economic analysis of the health care market. Topics covered include the economics of health insurance, Grossman’s health capital model, models of hospital incentives and competition and physician agency. This course is a graduate level economics course and will draw on models of behavior under asymmetric information, imperfect competition, agency and optimization under uncertainty. Students will also be introduced to the existing empirical evidence on the function of health care markets with a particular focus on the demand for medical care, the efficiency of competition in hospital markets, and provider incentives.

Readings: The required readings for each class session are listed and you are expected to have read them before the class. The recommended readings are other papers that are important and it is probably in your interest to read them (or at least skim them) sometime in the next year or two.

Prerequisites: Graduate level microeconomics and statistics/econometrics.

Referee Reports: You will be asked to complete two referee reports over the course of the semester. I will provide papers to be refereed to each student. A referee report should accomplish three goals: 1) it should briefly summarize the paper for the editor (roughly 1 paragraph), 2) it should give a critical review of the paper with helpful comments for the author and the editor and 3) it should give the editor your opinion of whether the papers should be rejected, resubmitted with major revisions, resubmitted with minor revisions, or accepted.

Student Presentations: Each student will be asked to select 1 paper from the recommended papers on the syllabus (depending on the number of students enrolled, this may change). Choices are subject to approval. You will be responsible for presenting a brief summary of the paper (roughly 45 minutes) to the class. You will then answer questions from the group and give your assessment of its value to the health economics literature, key policies where the ideas can be brought to bear, and improvements and/or future work that you would recommend.

Final: There will be a 1.5hr final. There will be 2 or 3 “preliminary exam”-like questions taken from the readings and lectures.
Research Paper/Proposal and Presentation: Over the course of the semester, each student will work to develop a research proposal and/or paper. This proposal/paper should be on a topic that has potential as a dissertation topic. If a student has a well-defined topic and available data they should write a first draft of a publishable paper. If the student has an earlier stage project or no access to data, they should develop a 15-20 page proposal that reviews the literature on the topic, develops a simple model with testable implications, and outlines the contribution of the work to the literature in health economics. Each student will present their work during the last two sessions of the class.

Grading:

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<th>Component</th>
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<tr>
<td>PAPER PRESENTATION</td>
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<td>REFEREE REPORTS</td>
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<td>FINAL</td>
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<td>FINAL PRESENTATION</td>
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<tr>
<td>FINAL PAPER</td>
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Course Schedule

1/17: Lecture 1 – Course Overview and Introduction to Health Economics

Required:


1/24: Lecture 2 – The Productivity of Medical Care

Required:


Recommended:


**1/31: Lecture 3 – Demand for Health Care and Moral Hazard**

**Required:**


**Recommended:**


2/7: Lecture 4 – Adverse Selection

Required:


Recommended:


2/14: Lecture 5 – Adverse Selection and Moral Hazard: Empirical Evidence

Required:


Recommended:


2/21: Lecture 6 – Health Insurance and Labor Market Outcomes
Guest Lecturer: Mark Pauly
(1 student presentation)

Required:


Recommended:


2/28: Lecture 7 – The Assessment of Health Policy Interventions
Guest Lecturer: Abby Alpert
(Referee Reports DUE)

Required:


Recommended:


3/7 – NO CLASS — Spring Break

3/14: Lecture 8 – Health Capital and the Value of Health and Health Care
(1 student presentation)

Required:


Recommended:


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**3/21: Lecture 9 – Objectives and Behavior of Not-for-Profit Providers (2 student presentations)**

Required:


Recommended:


3/28: Lecture 10 – Provider Behavior: Information and Competition
(1 Student Presentation)

Required:


Recommended:


4/4: Lecture 11 – Provider Behavior: Agency, Induced Demand and Target Income Hypothesis – Guest Lecture Prof. Juan Pablo Atal

Required:


Recommended:


4/11: Lecture 12 – Provider Behavior and Productivity, Revisited (1 student presentation)

Required:


Recommended:


4/18: Lecture 13 – Final Exam

4/25: Lecture 14 – Final Presentations