Economics 390
Health Economics
Department of Economics
University of North Carolina at Greensboro

Fall 2006
T R 12:30am – 1:45pm
BRYN 204

Dr. Beomsoo Kim
Office: BRYN 448
Phone: 334-3910
email: b_kim@uncg.edu

Class home page:
http://www.uncg.edu/bae/people/kim/
You will have login for Blackboard from my web.

Text and Readings:

Along with the text, I will assign mandatory readings of academic articles that highlight important topics in health economics. The readings are available for download from the class web page.

Office Hours:
Mondays and Wednesdays, 2:00pm - 3:30pm, and by appointment.
Anytime I am in my office you may call or stop by to ask questions. If you want longer discussion I encourage you to come by office hours or make an appointment. I am never far from email. Please feel free to contact me at b_kim@uncg.edu.

Course Prerequisites:
Pr. 101 or 201 or equivalent; 2.0 GPA

Course Objectives:
By the end of the semester, you should be able to:
1. Apply the relevance of economic concepts to the health care sector,
2. Describe the system of health care financing and how the health care is delivered
3. Understand the role of economic factors contributing the production of health.

Course Description:
The purpose of this course is to explore the issues of the organization, delivery, and financing of US health care using the tools of economics. Health care expenditure has been increased rapidly both absolutely and as shares of GDP. As a result health care industry became more important sector to analyze compared to other sectors. I would like to introduce you how economic theoretical and empirical tools are employed to examine the allocation of resources in health care industry. This course will emphasize the development of your ability to analyze health care issues as an economist will do.
Course Design:
I have designed this course around the Seven Principles for Good Practice in Understanding Education. These Principles are:

1. Good practice encourages student-faculty contact.
2. Good practice encourages cooperation among individual students.
4. Good practice provides for prompt feedback.
5. Good practice emphasizes time on task.
6. Good practice communicates high expectations.
7. Good practice respects diverse talents and ways of learning.

I want to make the course valuable for you. To do so I might make changes in the syllabus as we move through the semester. I will not make any significant changes without first discussing them with you and giving you a chance to comment.

Evaluations:
Grades for the course will be based on problem sets (15 percent of the course grade), two in-class exams (each 25 percent of the grade) and a final (35 percent of the grade).

Problem sets: Five or six problem sets will be assigned during the semester. These problem sets are designed to gauge your understanding of the concepts discussed in class. You will have one week to complete each assignment. Answers should be turned in at the beginning of class on the day they are due. Collaboration and discussion are encouraged in your work but each student must hand in their own assignment. Problem sets are graded pass/fail. Under no circumstances will late problem set be accepted.

The actual letter grade will be based on a grading scale to be determined after the final exam. This scale may or may not resemble the 10-point scale that many of you are used to (e.g., 90-100% is some sort of A, 80-89% is some sort of B, etc…) because I reserve the right to curve. I will do my best to provide feedback over the semester on how to interpret raw exam scores so that you know how you are progressing in the course.

Examinations:
The in-class exams are scheduled for Thursday, September 14th and Thursday, October 26th. The final exam for our class period is Thursday, December 7th, from 12:00pm to 3:00pm.

You are required to take all exams. Makeup exams will only be given for students who have an approved excuse, applied for in writing and adequately documented. I must receive documentation within 48 hours of the missed exam.

Academic Integrity Policy:
Students are expected to know and abide by the Honor Code in all matters pertaining to this course. Violations of this code will be pursued in accordance with the code.
Class Conduct:

I expect regular attendance and reserve the right to drop students who *regularly* miss class without notifying me first. This is **not** the type of class you can skip, expecting to “cram” the week before the exam. The material is difficult and cumulative, so missing even one class could be detrimental. Moreover, I expect you to come to class prepared. You should read the relevant material *before* I cover it in lecture and come to class ready to work out problems and ask questions. Make the best use of your time! Come to lecture prepared to take an active part in your learning. I strongly encourage and welcome questions. No questions will be regarded as stupid.

As a courtesy to me and to your peers please be on time, listen quietly when others are speaking and turn off cell phones.

Expectations:

This class requires a lot of work. I expect you to spend a *minimum* of 6 hours each week reading, reviewing, and completing homework assignments outside of class.

**Students with learning disabilities who wish to request special accommodations should contact me in my office during office hours as soon as possible.**
I. **Course Overview**

What is health economics?

Folland, Goodman and Stano, Chapter 1.

Chapters 2 and 3 of Folland, Goodman and Stano has a review of some economic tools that will be used throughout the semester. I will not review these chapters but you are expected to have a thorough understanding of intermediate micro theory.

II. **The Production of Health**

Folland, Goodman and Stano, Chapter 5.

A. *The production of health -- An historical perspective*


B. *Modern determinants of health*


C. *The government control of unhealthy behavior*

For this section, I recommend that you find your favorite intermediate micro textbook or undergraduate textbook in public finance and review the section on externalities and taxation. Folland, Goodman and Stano, Chapters 19 and 23.


D. How economists think about problems: explaining the rise in obesity


III. Health Insurance and the Demand for Medical Care

A. Choices Under Uncertainty -- An Introduction

Folland, Goodman and Stano, Chapter 8

For this section, I recommend that you find your favorite intermediate micro textbook and review the section on expected utility.

B. How Insurance Alters the Demand for Medical Care

Folland, Goodman and Stano, Chapter 9

Folland, Goodman and Stano, Chapter 8, pages 168-173.


C. The supply of insurance

Folland, Goodman and Stano, Chapter 11


D. Employer-Provided Health Insurance and Labor Markets

Folland, Goodman and Stano, Chapter 11


Custer, William S., et al., “Why We Should Keep the Employer-Based Health Insurance System,” Health Affairs, November/December 1999, 115-


E. Public Insurance Programs: Medicare and Medicaid

Folland, Goodman and Stano, Chapter 21


F. An Economists Looks at Insurance: Medical Savings Accounts


IV. The Agency Problem in Health Care

A. Asymmetric Information

Folland, Goodman and Stano, Chapter 10.

B. The physician’s practice (Supplier Induced Demand and Small-Area Variation)

Folland, Goodman and Stano, Chapter 15.

Please check out the Dartmouth Atlas, [http://www.dartmouthatlas.org/](http://www.dartmouthatlas.org/), which is a fascinating graphical presentation of small-area variation


C. Managed Care

Folland, Goodman and Stano, Chapter 12


V. Some Important Sectors in Health Care

A. Pharmaceutical companies

Folland, Goodman and Stano, Chapter 17.


B. Hospitals

Folland, Goodman and Stano, Chapters 13 and 14.


C. Physicians

Folland, Goodman and Stano, Chapters 16-17.
**ECO390 Fall 2006 - Due Dates** (may change)

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<th>Date</th>
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**NO EXCEPTIONS**