COURSE DESCRIPTION
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.

Prerequisite: Economics 301 or Public Affairs 880.

COURSE REQUIREMENTS
1. Problem Sets (10% of grade).
2. Midterm Examination (20% of grade).
   In class, February 28.
3. Term paper (20% of grade).
   Due date: May 6, 11:00 a.m.
4. Class Presentation (10% of grade).
5. Final Examination (30% of grade).
   Covers all material – May 8, 12:25 pm.

Required Textbook and Readings:
C.E. Phelps, Health Economics is the main textbook for the course. You can find copies of this book at the bookstore and it is also physically on reserve at the College Library (Helen C. White Hall). All supplemental readings can be accessed through your electronic reserves for our class. (Get to MyUW, select academic and find our class, click on e-reserves.)

Problem Sets, and other course material will be posted in the course website:
www.ssc.wisc.edu/~kohansen

This is an economics course. You cannot do well in this class unless you thoroughly understand the economic models and graphs covered in class. You will often find your old microeconomics notes and book helpful. Keep them handy for general reference on economic 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 four or five. 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. All students of every 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 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 an 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. 19, 21 & 24).**

*Phelps*, Chapters 1 & 2.


Optional:


THE TRANSFORMATION OF MEDICAL CARE TO HEALTH (Jan. 26 & 28).

Phelps, Chapter 3.  
Optional:  
Baicker, Katherine et. al., 2006. “Geographic Variation In The Appropriate Use of Cesarean Delivery”, *Health Affairs web exclusive*, August 8, 2006, w 355-w367.

PATIENT DEMAND FOR MEDICAL CARE - MORAL HAZARD (Jan. 31, Feb. 4, 7, 9).  
Phelps, Chapters 4 & 5 (except pp. 146-158).

LIBRARY SESSION IN MEMORIAL LIBRARY ROOM 231. (February 2).

PROVIDER SUPPLY OF MEDICAL CARE

1. PHYSICIANS (Feb. 11, 14 & 16).  
Phelps, Chapters 6 & 7.  
Optional:  

2. HOSPITALS (Feb. 18, 21, 23).  
Phelps, Chapters 8 & 9 (except pp. 286-294).  
Optional:  

CASE STUDY: (Feb. 25) "Medicine and the Profit Motive: The Proposed Sale of McLean Hospital", Kennedy School of Government.  
Optional:  

MIDTERM EXAMINATION ----- February 28.

HEALTH INSURANCE

1. DEMAND AND SUPPLY OF HEALTH INSURANCE (March 2, 4, 7, 9).  
Phelps, Chapter 10.  

2. MANAGED CARE (March 11 & 21).
Phelps, Chapter 11.


3. EMPLOYER SPONSORED HEALTH INSURANCE (March 25)
Optional:


**NURSES AND THE NURSING MARKET (March 30)
Phelps, Chapter 9, pp. 286-294.
Optional:

**GOVERNMENT HEALTH CARE PROGRAMS: MEDICARE (April 1).
Phelps, Chapter 12 (up to page 411).


Optional:

**GOVERNMENT HEALTH CARE PROGRAMS: MEDICAID (April 4).**

Phelps, Chapter 12 (pp. 411-end).


Optional:


CASE STUDY: (April 6) "Matters of Life and Death: Defunding Organ Transplant in the State of Arizona", Kennedy School of Government.

Optional:


MEDICAL MALPRACTICE (April 8 & 11).

Phelps, Chapter 13.


Optional:


**EXTERNALITIES IN HEALTH AND MEDICAL CARE (April 13, 15, 18, **20, 22).

Phelps, Chapter 14.


Optional:


**GOVERNMENT REGULATION (April 25)

Phelps, Chapter 15, up to page 512.

**FDA - PHARMACEUTICALS (April 27)

Phelps, Chapter 15 (only pp. 512 – end of chapter)


Optional:


**MEDICAL TECHNOLOGY (April 29)


Optional:


**HEALTH CARE AND THE FUTURE (May 2)


Guterman, Stuart et al., 2010, “Innovation in Medicare and Medicaid will be Central to Health Care Reform’s Success”, Health Affairs, Vol. 29, No. 6, pp. 1188-1193.

Optional:


**INTERNATIONAL HEALTH (May 4, 6)

Phelps, Chapter 16.