Economics 548 – The Economics of Health Care  
Fall 2019  
Professor Naoki Aizawa  
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Course logistics  

- Instructional mode: face-to-face  
- 3-4 credit course (2 lectures)  
  This 3-4 credit course has two 75 min lectures. Students are expected to work approximately 8 hours outside class to complete assignments and learn the relevant material. Complete grading scale is: A-F.  
- Class Meeting Time & Location of lectures: Tuesdays and Thursdays, 2:25PM - 3:40PM, HUMANITIES 1217  
- Office Hours: Tuesday 12:00 PM-13:00 PM and by appointment (extra office hours before exams)  

Economics 548 is an advanced undergraduate course on the economics of health care provision and payment. In addition to being one of the most important “goods” consumed in our lives, health care spending accounts for almost 20% of GDP in the United States. How we choose to provide and pay for health care has large and direct welfare impacts on the consumers and producers of health care nationwide while also being key ingredients into overall national economic performance.  

In this course we will use methods from microeconomics to investigate how different aspects of the health care system function and to assess the implications for different policies designed to improve that functioning. We will use economic tools and techniques from the sub-disciplines of information economics, industrial organization, labor economics, public economics, behavioral economics, and decision theory to think about these questions. The primary goals of the course will be to (i) master different economic techniques in the context of health care markets and (ii) learn about the specific institutional details and policies relevant to those markets.  

Prerequisites:  

Econ 301 or equivalent. Ideally, it is preferred if you also have had a statistics course.
Required Textbook:


Health Economics News and Blogs

You may wish to visit the following blogs to engage more with health economics, especially in the context of current policymaking. There is no obligation to visit these sources, but you will find that they provide interesting discussions of the issues from class in the context of actual policy problems.

The Morning Consult  

The Incidental Economist  

The Health Care Blog  
[http://thehealthcareblog.com/blog/tag/economics/](http://thehealthcareblog.com/blog/tag/economics/)

The Health Affairs Blog  
[http://healthaffairs.org/blog](http://healthaffairs.org/blog)

NY Times Upshot  

The Health Care Economist  

Learning Outcomes:

Following the completion of this course, students will be able to:

- Develop an understanding of the foundations of modern health economics.
- Subject these various models to data and determine their empirical relevance.
- Obtain tools to study health policy relevant problems through the lens of economic models and data.

Canvas

We will use the CANVAS site: [https://canvas.wisc.edu/](https://canvas.wisc.edu/) for all postings of course materials, including problem sets and solutions, lecture notes, practice exams, and announcements.

Career and Opportunities

If you would like to learn more about career and internship opportunities for economics students or discuss the career skills you learn as an economics major you are encouraged to meet with an econ career advisor by emailing econcareers@ssc.wisc.edu.
COURSE REQUIREMENT AND GRADING POLICY

Requirements for this class include two in-class midterm exams, final exam, and three problem sets.

The first midterm exam will be given in class on (tentatively) October 10th;
The second midterm exam will be given in class on (tentatively) November 14th;
The final exam will be given in the final exam week, December 14th.

Three problem sets will be dispersed at regular intervals throughout the semester and will include problems indicative of those that will be used on the exams: the tentative due dates of each problem set is (note that this is subject to changes):

1. Problem set 1: October 3rd
2. Problem set 2: November 7th
3. Problem set 3: December 5th

Grades for the class will mainly be based on these requirements in roughly the following proportions:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Problem Sets (3) (equally weighted)</td>
<td>25%</td>
</tr>
<tr>
<td>First Midterm Exam (tentatively October 10th)</td>
<td>25%</td>
</tr>
<tr>
<td>Second Midterm Exam (tentatively November 14th)</td>
<td>25%</td>
</tr>
<tr>
<td>Final Exam (December 14th)</td>
<td>25%</td>
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Please make sure that you schedule your travels, including job interviews, to avoid the exam dates. The policy regarding missing exams is described in items #10 in the class policy section of the syllabus.

As mentioned below in class rule #2, if a student repeatedly fails to attend classes without proper excuses, he/she will receive a lower grade.

Accommodations for Students with Disabilities

The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional
accommodations. Disability information, including instructional accommodations as part of a student’s educational record, is confidential and protected under FERPA.

**Mental Health and Violence Prevention Resources**

As a student you may experience a range of issues that can cause barriers to learning. These might include strained relationships, anxiety, high levels of stress, alcohol/drug problems, feeling down, or loss of motivation. University Health Services is here to help with these or other issues you may experience. You can learn about the free, confidential mental health services available on campus by calling 608-265-5600 or visiting [uhs.wisc.edu](http://uhs.wisc.edu). Help is always available.

Experiences of sexual assault, sexual harassment, dating violence, domestic violence, and stalking affect many students on this campus and can create barriers to learning. UW-Madison is committed to fostering a safe, productive learning environment and offers a variety of resources and options for students impacted by violence. Learn about the free, confidential services available on campus and in the community by visiting [www.uhs.wisc.edu/assault](http://www.uhs.wisc.edu/assault).

**Institutional Statement on Diversity**

Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background - people who as students, faculty, and staff serve Wisconsin and the world.
Course Outline (Tentative Schedule)

9/5 – Course Overview

9/10 – Demand for Health and Health Care

Battacharya, Chapters 1-2

9/12 – Demand for Health and Health Care: The Grossman Model

Battacharya, Chapter 3

9/17 – Demand for Insurance: Expected Utility

Battacharya, Chapter 7

9/19 -- Adverse Selection: Akerlof Model

Battacharya, Chapter 8

Note: First problem set given out.

9/24 -- Adverse Selection: Graphical Analysis


Battacharya, Chapter 9 Section 11 only

9/26 – Adverse Selection in Practice

Battacharya, Chapter 10

Read pages 433-444 and conclusion:
“New data on sign-ups through ACA’s marketplaces should lay “death spiral” claims to rest,” 02/08/17, Brookings article.

10/1 – Demand for Insurance: Information, Complexity, and Decision-Making

10/3 – Moral Hazard: Demand for Health Care Revisited

Battacharya, Chapter 11


Recent news article on research: http://www.vox.com/2015/10/14/9528441/high-deductible-insurance-kolstad

Note: First problem set due.

10/8 - In Class Review for Midterm #1

10/10 – Midterm Exam # 1

10/17 - The American Model

Battacharya, Chapter 18

10/22 – The Affordable Care Act: Part I

Kaiser Family Foundation: Summary of the Affordable Care Act


10/24 – The Affordable Care Act: Part II

30 Economists: We Need the Individual Mandate
http://www.healthinsurance.org/blog/2013/07/18/30-economists-we-need-the-individual-mandate/


“Young, Fit, and Uninterested,” The Economist, January 2014.
http://www.economist.com/news/united-states/21594300-was-supposed-be-month-uninsured-got-health-insurance-not-enough?zid=318&ah=ac379c09c1e3fb67e0e8fd1964d5247f


Instructor Notes on Economics of ACA Regulations, continued

Readings and core material TBD as health reform evolves in 2019.

Note: Second problem set given out.

10/31 – Delivery of Health Care: The Labor Market for Physicians

Battacharya Chapter 5

11/5 – Delivery of Health Care: The Hospital Industry

Battacharya, Chapter 6

11/7 – Why are Costs so High? Technology Growth and Innovation

Battacharya Chapter 13


http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
Note: Problem Set # 2 due

11/12 – In Class Review for Midterm # 2

11/14 – Midterm Exam # 2

11/19 – Rationing Health Care: Health Technology Assessment

Battacharya, Chapter 14

11/21– Why are Costs so High? Organizational Management, Efficiency, and Population Aging

http://www.newyorker.com/reporting/2012/08/13/120813fa_fact_gawande


http://www.newyorker.com/reporting/2007/12/10/071210fa_fact_gawande

Battacharya, Chapter 19

11/26 – Pharmaceutical Markets and Innovation

Battacharya, Chapter 12


Note: Third problem set given out.

12/3 – International Health Care Systems and Alternative Designs

Battacharya, Chapters 15
12/5 – International Health Care Systems and Alternative Designs

Battacharya, Chapter 16-17

Note: Third problem set due.

12/10 – Course Wrap Up: Health Economics Past, Present and Future

Review of Problem Set # 3

Review for Final Exam

Final Exam (Comprehensive, Covers all Course Material):

Saturday December 14th 14:45-16:45 PM, Location TBD
Class Policies for Econ 548 (Fall 2019)

1. ***Policy on Laptops and Electronic Devices
   I’m aware many students like to take notes on laptops or other electronic devices. However, once open, these devices make it very easy for even well-meaning students to get distracted; they can be distracting to other students; and recent research suggests that students learn better when they take notes by hand rather than by computer.
   IF YOU HAVE AN UNUSUAL NEED FOR AN ELECTRONIC DEVICE DURING CLASS, PLEASE SPEAK WITH ME; OTHERWISE, I ASK THAT YOU PLEASE NOT USE LAPTOPS OR OTHER DEVICES IN CLASS.

2. Attendance:
   Attendance of lectures is required. If a student repeatedly fails to attend classes without proper excuses, the student will receive a lower grade. I understand that some of you may have to schedule a must-do interview and miss a class. Please let me know beforehand for permission.

3. Cooperation:
   You may discuss homework assignments with each other; however, each individual must submit a separate homework assignment (i.e. write/type up your own answers, no copies), and each individual will be separately graded on the assignment. You may not cooperate while taking exams.

4. Aids During Exams:
   All exams are closed book. You may not communicate or cooperate with anyone on the exam.

5. Format of Assigned Work:
   It is preferred that your homework solutions are typed; if they are hand-written, please be sure to be written clearly: anything that the grader or I cannot read or understand is wrong. All hand written answers to exam questions should be legible. Spelling, grammar, style, etc. do not "count" per se. However, again, anything that the grader or I cannot read or understand is wrong. Poor spelling, grammar, style, etc are often confusing.

6. **Prohibition of Posting Materials on Any Websites
   Without instructor's permission, posting any class materials on any website (e.g., course hero etc) is strictly prohibited and will be subject to academic misconduct.

7. Lateness:
   Due and return dates for assignments will be announced in class. These dates are binding. Late assignments are not accepted without either proper arrangement and compelling, verifiable reason.

8. Return of Homeworks and Exams:
   Homeworks and midterm exam will be returned to you during (either lecture or discussion) class. You are responsible for picking them up.

9. Re-grade requests:
   A re-grading request and policy is based on the University-wide rule attached in the this syllabus.

10. Make-up Exams:
    There are no make-up written midterm exam. However, if you are illness and have documented medical emergencies for missing the first (second) midterm, your second
(final) exam will be worth 50% of your grade if the one you missed is the first (second) midterm.
Students should attempt to avoid having more than two final examinations within 24 hours. If a student has more than two final exams within 24 hour, the instructor may, within guidelines adopted by the college faculty, schedule a make-up final examination to avoid hardships. Rescheduled final exams will be of the same general nature and quality as the original examination. Instructors are not required to reschedule a final if a student has more than two exams within a 24 hour period.

11. Incomplete grade:
Please refer to the University guideline: https://registrar.wisc.edu/incompletes/
Regrade Policy

Deadline: One week after exam was returned to class (late requests will not be considered)

Math Errors: If there was an arithmetic error in adding up points on your exam, let us know right away, and we will record the correct grade. This doesn't constitute a regrade request. Just write a brief note on the cover sheet and give it to the professor or TA.

Rationale for Regrade Policy: The regrade procedure is intended to correct serious errors in grading. It is not intended as a opportunity to argue about each judgment call made by the graders. We agree that graders sometimes take off 1-2 points too many here and there, but we believe that they also give you 1-2 points too many just as often. When we regrade exams, we sometimes disagree with the exact points awarded on each question by the graders, but the total grade usually comes out the same. Our overall experience with regrade requests is that very few of them lead to a change in an exam grade, and an even smaller percentage have any effect on the final grade for the course. However, significant mistakes in grading do occur, if rarely. If you sincerely feel that your exam was unfairly graded, we will look it over carefully. In that case, we reserve the right to regrade the entire exam, which may result in either an increase or a decrease in your grade.

How to Request a Regrade:

If you feel that a regrade request is justified, print out the Regrade Request Form, fill it in, and turn it with your exam to your professor/TA as instructed. We always look at all the regrades at once so that we can compare them with the key and with each other. We think it is fairer to do it this way so we will not discuss your regrade in person.

Some Cautions: When calculating the final letter grades for the course, we try to give extra consideration to each student who is near a cut-off, to see if there is some justification for bumping the letter grade up a notch. We will keep a record of all regrade requests, and students who have asked for this extra consideration during the course of the semester may not receive additional consideration at the time that final grades are assigned.

Unfortunately, there have been several instances in the past where students have modified an answer after the exam had been graded, and then submitted the exam for a regrade. Because of this, we will not consider regrades of exams that corrected with white-out or other obvious signs of after exam correction. A random sample of exams are photocopied before they are returned. Any indication that a regrade has been requested for a modified exam will be considered academic misconduct, and appropriate disciplinary action will be taken.

What Merits a Regrade: The following are the usual circumstances that may lead to an increase in points:

- **Your answer is really the same as the one on the answer key, but the grader didn't realize it.**
  Your explanation should make it clear why you believe your answer is the same.

- **Your answer is different from the one provided on the answer key, but your answer is also correct.**
  Your explanation should make it clear that you have read the answer key, and why you think that your answer is equally good.

What Doesn't Merit a Regrade: The following are not valid reasons for regrades:

- **"Most of what I wrote is correct, so I think I deserve more partial credit."**
  Partial credit is given equally for all students who write a particular answer, so it would not be fair to give you more points for this without adding points to all students who wrote the same answer.

- **"I wrote so much, and the grader didn't notice that the correct answer is buried somewhere within this long paragraph."**
  You will lose points if the correct answer is accompanied by incorrect information or by so much irrelevant information that it gives the impression that you didn't know the answer, and were just writing down everything you could think of on this topic.

Acknowledgement: this page was prepared using rules widely applied by professors in all disciplines/universities and wording borrowed extensively from Biology C2006 / F2402 at Columbia University (http://www.columbia.edu/cu/biology/courses/c2006/regrade_requests.html)
Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures:
1. The penalty for misconduct in most cases will be removal from the course and a failing grade.
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator Tammy Herbst-Koel (therbst@wisc.edu) and your identity will be kept confidential.

For more information, refer to https://www.students.wisc.edu/doso/academic-integrity/
Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints. Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.