

**ECONOMICS 325**  
**HEALTH ECONOMICS**

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Spring 2018  
TR 2:00 - 3:15 p.m.  
ENGRG B-103

**Course Description**

The costs of health care and access to health care (through health insurance) are important issues in the US. In 2016, individuals in the United States spent approximately \$3.3 trillion dollars on health care, representing 17.9% of US Gross Domestic Product. Those expenditures are larger than the size of most countries' economies. The United States stands out from other countries in the world in that it spends a far greater portion of its total product on health care. The size of the health care industry in the overall economy is also projected to grow for decades. Within the next ten years, the health care market will represent twenty percent of the US economy. As more people obtain health insurance through the ACA health care costs will increase and as more members of the Baby Boom generation retire federal health care costs will increase. Despite the size of its health care expenditures, the United States also stands out as the only industrialized country which does not have universal health care (10.3% of the population was uninsured in 2016), although that percentage has decreased notably since the Affordable Care Act (ACA) took effect. Lack of access to health insurance varies substantially by age. Virtually all people 65 years of age and older have health insurance provided by the federal government. At the other extreme, 15.7% of people aged 26 to 34 had no health insurance in 2016. This course will present economic analyses which provide insights into why health care is so important in the US economy, why health care costs have increased substantially in the US, and why universal health insurance might not emerge in a market economy. The analyses will also provide insights into recent changes in health insurance markets and the types of public policies which may restrain cost growth. We will focus on the demand for health care, on health insurance markets, and on public policies regarding health care. Our analysis will include review of the ACA and the impact of the ACA on health care markets.

Upon completion of the course, a successful student should

- 1) understand the sources of individual demand for health care,
- 2) understand the economics of health insurance markets, generally, and market failures in those markets,
- 3) be able to explain economic solutions to health insurance market failures and understand their relevance to public policy,
- 4) be familiar with the major federal health insurance programs and federal laws regarding health insurance, and
- 6) understand different ways in which health care is provided in other countries.

## Textbook and Readings

Textbook: Folland, Sherman, Allen C. Goodman and Miron Stano (2016). *The Economics of Health and Health Care* (8<sup>th</sup> ed.). Routledge, New York, NY. (Hereafter the *Course Text*)

Other materials might be assigned during the semester.

**Contact Hours:** Each week students will be expected to spend the following time on this course

	<i>Activity Contact Hours per Week</i>
Attend Class	3
Review Assigned Readings prior to class	6
Review Class Notes after class, and prepare for tests	<u>3</u>
Total	12

## Course Grading

There will be two mid-term examinations during the semester and a final. The final exam is scheduled on Tuesday May 8 between 9:40 and 11:40 a.m. Each of the examinations will be worth one third of the course grade.

There will be **no** make-up exams. If you miss an exam, you must have a written excuse from the appropriate University office, in which case your remaining exams will be re-weighted.

## Extra Credit Opportunities

My experience is that class attendance is important. People who attend class get better grades. So, don't skip classes. To encourage greater attendance, I will take attendance in class randomly through the semester. You will get up to 2% extra credit on the course grade based on your attendance record. For example, if you attend one-half of the classes in which I take attendance you will receive an extra 1% credit on your final grade. Thus, if your final grade is 79% you will receive an 80% for the course.

A second extra credit opportunity will be available to students. It will be worth up to 10% of the course grade. It will involve analyzing the characteristics of individual health insurance policies available on the Colorado Connect For Health Colorado ( <http://connectforhealthco.com/> ) web site. The details of this extra credit opportunity will be made available during the semester.

**Office Hours:** T 3:30 - 4:30 p.m. W 2:00- 3:00 pm and by appointment.

***Accommodations for Students with Disabilities:*** University policy regarding students with disabilities is defined at <http://rds.colostate.edu/>

***Academic Integrity:***

The University takes academic integrity seriously. At a minimum, academic integrity means that no one will use another's work as their own. Of course, academic integrity means more than just avoiding plagiarism. It also involves doing your own reading and studying. It includes regular class attendance, careful consideration of all class materials, and engagement with the class and your fellow students. Academic integrity lies at the core of our common goal: to create an intellectually honest and rigorous community.

Because academic integrity, and the personal and social integrity of which academic integrity is an integral part, is so central to our mission as students, teachers, scholars, and citizens, we will ask to you sign the CSU Honor Pledge as part of completing all of our major assignments. While you will not be required to sign the honor pledge, we will ask each of you to write and sign the following statement on your papers and exams:

*"I have not given, received, or used any unauthorized assistance."*

## **Course Outline**

(Chapter titles and references are to the Course Text)

### *Assigned Readings*

#### **I. Introduction and Review of Basic Economic Concepts**

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|---|--------------------------------|
| A. Introduction                             | Chapter 1 +<br>Other Materials |
| B. Microeconomic Tools For Health Economics | Chapter 2                      |

#### **II. Demand, Information and Insurance Markets**

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|---|------------|
| A. Demand for Health Capital                    | Chapter 7  |
| B. Demand and Supply of Health Insurance        | Chapter 8  |
| C. Asymmetric Information and Agency            | Chapter 10 |
| D. The Organization of Health Insurance Markets | Chapter 11 |
| E. Managed Care                                 | Chapter 12 |

#### **III. Social Insurance**

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|--|---------------------------------|
| A. Social Insurance                                  | Chapter 20                      |
| B. Health System Reform                              | Chapter 22 +<br>Other Materials |
| C. Comparative Health Care Systems (time permitting) | Chapter 21 + video              |