

Trinity University
Department of Health Care Administration
Summer 2009

HCAD- 5313: Economic Aspects of Health Care Administration

Instructor: Dr. Edward J. Schumacher

Contact Information

Office: Chapman 402
Phone: 210.999.8137
Fax: 210.999.8108

Office Hours: M W 4-5pm, T Th 1-3
Email: Eschumac@trinity.edu
Homepage: www.trinity.edu/eschumac

Course Description

This course introduces students to the economic way of thinking. The basic framework of economics will be used to analyze the behavior of hospitals, physicians, insurers and health care consumers. Topics such as demand and supply, elasticity, risk and insurance, information, regulation, and competition will be covered.

Major Competencies Covered

- Economic Analysis & Application to Business Decision-Making
- Problem-Solving & Decision Making
- Healthcare Issues and Trends
- Health Policy Formulation, Implementation & Evaluation

Course Objectives

By taking this course, students will be able to:

- Describe and apply essential economic theories relevant to the study of consumer behavior and health demand, the supply and demand for health insurance, decisions by producers of health services, and market failure and government intervention
- Understand the role of markets and government regulations in shaping incentives and institutions in the industry
- Understand and apply the concepts of equity, efficiency, and social welfare as they relate to the functioning of the US health system
- Read and critically evaluate the findings of selected studies and be able to relate findings in these studies to economic principles
- Be capable of stepping back from a particular health care event or policy issue and evaluate the issue from an economic perspective

Course Requirements

Your course grade will be determined from, a final exam, classroom debates, and paper summaries, and class participation. The following weights will be used:

Final Exam	50 Percent
Debates	30 Percent
Paper Summaries	10 Percent
Class Participation	10 Percent

A ten-point scale will be used to determine your final letter grade.

Exams:

The midterm and final will be essay format. Approximately one week prior to the exam I will distribute a set of questions. The exam will consist of a subset of these questions.

Class Debates:

Regularly scheduled class debates between groups of students will occur throughout the semester. Students will be divided into 6 groups. Two groups will debate a topic, one group will be assigned the “for” position while the other group will be assigned the “against” position. Prior to the debate each group should submit at least 2 questions to me they would like to ask the other team. During the debate, each side will have 10 minutes to state their position. After each group has taken their 10 minutes, I will ask questions of the groups from the submitted questions and other questions. Finally, there will be a question and answer session from the audience. The group’s grade for the debate will be based on both a relative and absolute performance evaluation.

Paper Summaries:

About once per week you will be assigned a paper from a research journal. You are expected to read the article and produce a 2 page summary/critique of the article. We will also discuss the articles in class.

Miscellaneous:

You are expected to complete the reading assignment for each subject prior to the lecture on that topic.

If you are unable to take an examination or turn in a scheduled assignment, it is your responsibility to contact me prior to the scheduled completion date. Late work will be penalized 10 percentage points per day.

My office hours are as indicated above. However, I operate on an “open-door” policy and encourage you to stop by anytime during the day.

Course Materials:

Required:

Dranove, David. *Code Red: An Economist Explains How to Revive the Healthcare System without Destroying It*. Princeton University Press. 2008.

Reference:

Folland, Sherman, Allen C. Goodman, and Miron Stano. *The Economics of Health and Health Care*, 5th edition, Prentice Hall, Upper Saddle River, NJ, 2007.

Johnson-Lans, Shirley. *A Health Economics Primer*, Addison Wesley, Boston, MA, 2006.

Getzen, Thomas E. *Health Economics, Fundamentals and Flow of Funds*, 2nd edition, John Wiley, & Sons, Inc., New York, 2009.

Readings:

A. Required

Sara N. Bleich, David Cutler, Christopher Murray, and Alyce Adams. "Why Is the Developed World Obese?" *Annual Review of Public Health*. 29:273–95, 2008.

Gawande, Atul. "The Cost Conundrum: What a Texas Town Can Teach Us about Health Care." *The New Yorker*, June 1, 2009.

Jonathan Gruber. "Covering the Uninsured in the United States." *Journal of Economic Literature*. Vol. 46, No. 3 2008, 571–606.

Volpp, Kevin G., Mark V. Pauly, George Loewenstein, and David Bangsberg. P4P4P: An Agenda For Research On Pay-For-Performance For Patients. *Health Affairs*, January/February 2009, 28(1):206-214.

Pauly, Mark V, and Lawton R. Burns. "Price Transparency for Medical Devices" *Health Affairs*, November/December 2008, 27(6): 1544-1553

B. Additional Papers

David M. Cutler, Edward L. Glaeser and Jesse M. Shapiro. "Why Have Americans Become More Obese?" *Journal of Economic Perspectives* Vol. 17, No. 3, Summer 2003.

John Cawley. "Reefer Madness, Frank the Tank or Pretty Woman: To What Extent do Addictive Behaviors Respond to Incentives?" in *Incentives and Choices in Health Care*, ed. Frank A Sloan and Hirschel Kasper. MIT Press, 2008.

Jonathan Gruber. "Incremental Universalism for the United States: The States Move First?" *Journal of Economic Perspectives*. Vol. 22, No. 4 Fall 2008.

Duggan, Mark, Patrick Healy, and Fiona Scott Morton. "Providing Prescription Drug Coverage to the Elderly: America's Experiment with Medicare Part D." *Journal of Economic Perspectives*, Fall 2008, 22(4):69-92

Lazear, Edward P. and Kathryn L. Shaw. "Personnel Economics: The Economist's View of Human Resources." *Journal of Economic Perspectives*, Fall 2007, 21(4): 91–114

Tomas J. Philipson and Eric Sun. "Is the Food And Drug Administration Safe And Effective?" *Journal of Economic Perspectives* Vol. 22, No. 1, Winter 2008.

Recommended Summer Reading:

- Thaler, Richard H. and Cass R. Sunstein. *Nudge: Improving Decisions about Health, Wealth, and Happiness*. Yale University Press. 2008.
- Levitt, Steven D., and Stephen J. Dubner. *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. Harper Collins Publishers, New York, New York. 2005
- Landsburg, Steven E. *The Armchair Economist: Economics & Everyday Life*. The Free Press, A division of Simon & Schuster, Inc. New York, NY, 1995.
- Ariely, Dan. *Predictably Irrational: The Hidden Forces that Shape Our Decisions*. Harper Collins. 2008.
- Dixit, Avinash K. and Barry J. Nalebuff. *Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life*. W.W. Norton & Company. 1993.
- Gladwell, Malcolm. *Outliers: The Story of Success*. Little, Brown and Company, New York, NY. 2008.
- Gladwell, Malcolm. *Blink: The Power of Thinking without Thinking*. Little, Brown and Company, New York, NY. 2005.
- Gladwell, Malcolm. *Tipping Point: How Little Things Can Make a Big Difference*. Little, Brown and Company, New York, NY. 2002.

Tentative Schedule			
Article summaries are due the day they are listed			
Day	Text	Article Assignment	Topic
Tues May 19			Overview of Class Basics of Economic Analysis
Thurs May 21	Dranove ch1-2		Supply, Demand, and Market Performance
Mon May 25			Memorial Day Holiday
Wed May 27		Bleich et al -- Obesity	The Production of Health and Demand for Medical Care
Mon June 1			The Economics of Risk and Insurance
Wed June 3 Happy Anniversary!	Dranove Ch 3	Gawande – Cost Conundrum	Debate #1 The Economics of Information
Mon June 8	Dranove Ch 4		Insurance Markets <i>Dr. Michael Gomez – Local market variations in physician practice patterns.</i>
Wed June 10			Debate #2 <i>Eddie Cuellar, CIO MHS & Dr. Helmrick IT&S Medical Director MHS</i>
Mon June 15	Dranove Ch 5-6	Grubber – Covering the Uninsured	Reforming Insurance Debate #3
Wed June 19			Non-Profit Firms and Hospital Behavior <i>Judy Brown – Champaign, IL hospital market presentation.</i>
Mon June 22		Volpp and Pauly – P4P4P	Hospital Competition
Wed June 24	Dranove Ch 7-8	Pauly and Burns – Medical Devices	Healthcare Labor Markets, Unions, The Economics of Human Resource Management
Mon June 29			Debates 4, 5 and 6
Wed July 1			Final Exam

Academic Integrity

The Trinity University policy of academic integrity will be strictly followed with no exceptions. The Trinity University Student Handbook defines several categories of Violations of Academic Integrity including: 1) *Cheating*, attempting to use or using unauthorized material of information as study aids in any academic exercise, 2) *Counterfeit work*, work turned in as one's own that was created, researched, or produced by someone else, 3) *Falsification of data or creation of false data*, an act of dishonesty in research or experimental procedures, 4) *Plagiarism*, presenting as one's work the work of someone else without properly acknowledging the source, and 5) *Unauthorized reuse of work*, turning in the same work to more than one class without consent of the instructors involved.