Professor: Helen Levy (hlevy@umich.edu)

Course goals: This course provides an overview of the economics of health and medical care. By the end of the quarter students should have the institutional knowledge and analytic tools needed to contribute to current public policy debates about health and medical care.

Prerequisites: At least one semester of introductory microeconomics.

Requirements and grading: Grades will be based on two midterm exams (20% and 30%) and a final exam (50%). The midterm exams will take place in class on Monday, Oct. 3 and Monday, Nov. 14. The final exam is scheduled for Thursday, Dec. 22, 8 – 10 am.

Problem sets and solutions will be distributed periodically throughout the course. These are not to be turned in. They are for you to do on your own.


Additional readings: Additional readings, all of which are required, are listed below. The readings are available on the course web site. If you would like hard copies, a course packet containing the same material can be ordered at Dollar Bill copying (611 Church St.).

Office hours: Weds. 2 - 4, 218 Lorch, 763 - 9237

Week 1. Introduction

1. (Weds. 9/7) Course overview

    JL ch. 1, “The Subject Matter of Health Economics”

Week 2. The demand for health and the demand for medical care

2.1 (M 9/12) The demand for health; the health production function; indifference curves; budget constraints

    JL ch. 2, “The Demand for Health and the Demand for Health Care”
2.2 The economics of obesity (W 9/14)


Week 3: Health insurance

3.1 Insurance as a response to uncertainty; the effect of insurance on the demand for medical care; problems in insurance markets (M 9/19)


JL ch 4, “The Evolution to Managed Care”

3.2 The RAND health insurance experiment (W 9/21)


Week 4: The supply of physicians and nurses

4.1 Medical training as an investment in human capital; markets for medical labor (M 9/26)

JL ch. 6, “Physicians and Nurses as Inputs into the Production of Health Care”

4.2 Medical education and the nursing shortage (W 9/28)


Week 5: Physicians as firms

5.1 Midterm #1 (M 10/3)

5.2 The market for physician services; imperfect competition; supplier-induced demand; medical malpractice (W 10/5)

JL ch. 7, “Physicians as Providers of Health Care”

**Week 6: Hospitals**

6.1 Hospitals as firms; more imperfect competition (M 10/10)

   JL ch. 8, “Hospitals”

6.2 What does it mean that most hospitals are not-for-profit? (W 10/12)


**Week 7: The value of medical care**

7.1 No class – fall break (M 10/17)

7.2 Cost-benefit and cost-effectiveness analysis (W 10/19)

   JL ch. 9, “Cost-Benefit and Cost-Effectiveness Analysis”

**Week 8: Technology and the value of medical care, continued**

8.1 Guest lecture by Dr. Gary Freed, Director of the Division of Pediatrics at U of M. (M 10/24)

8.2 Innovation; technological change; health care cost growth (W 10/26)

   JL ch. 10, “The Role of Technology in Health Care”

**Week 9: Increased medical spending: good or bad? And, pharmaceuticals.**

9.1 What is the value of increased medical spending? (M 10/31)


9.2 Pharmaceuticals (W 11/2)
JL chapter 11, “Pharmaceuticals”

**Week 10: Health and the labor market; Medicare**

10.1 Health, wealth and the labor market (M 11/7)


10.2 Medicare (W 11/11)


**Week 11: Midterm & guest lecture**

11.1 Midterm #2 (M 11/14)

11.2 Guest lecture by Pat Warner (Associate Hospital Director, The University of Michigan Hospitals and Health Centers and Chief Administrative Officer, C.S. Mott Children's Hospital)

**Week 12: Smoking and drinking**

12.1 Who bears the costs of smoking and drinking? Part 1: Smoking (M 11/21)

Manning, Willard et al., “The Taxes of Sin,” *Journal of the American Medical Association* 1989 (261:11), 1604 – 1609. (This reading is not available on the course web site; it will be distributed in class.)

12.2 Class cancelled for Thanksgiving (W 11/23)

**Week 13: Smoking and drinking, continued**

13.1 Who bears the costs of smoking and drinking? Part 2: Drinking (M 11/28)

13.2 Medicaid (W 11/30)


**Week 14: Problems of health and poverty at home and abroad**
14.1 Health care reform in the US (M 12/5)

JL ch. 14, “The Health-Care System of the United States: Where Do We Go Next?”

14.2 Health problems in developing countries (W 12/7)

JL ch. 13, “Health Care: A Global Perspective”

**Week 15: Conclusion**

15.1 (M 12/12) Wrap-up: how does knowing economics help us to think about health?

**Final exam: Thursday, Dec. 22, 8 – 10 am.**