

OVERVIEW

These slides are intended to give you a general outline of the course material. The lectures are structured around a “set piece,” such as an extended example or a fundamental graph, and use this set piece to emphasize the main points—the “big picture.” The textbook will provide elaborate on most of these points, and, hopefully, will make the lectures come to life.

Most of your test material will, therefore, be covered in class and in the book. But there are some things that are purely lecture, and some material just in the book. You are responsible for all, though you will find that I try not to ask questions about picky details.

Unit 1 Outline

Megatopic 1: The Production of Health and Historical Evidence on Health Production

Main Topics:

- Assessing Population Health
- The Production of Health
- The Role of Health Care in the Production of Health
- Cross-Country and Cross-Time Comparisons of Health

Set Piece: Health Production Fn. and its properties

Book: Chapter 5 has a nice discussion of health and health production over time, which was supplemented by Internet presentations.

Megatopic 2: Health Care Demand (1 class)

Main Topics:

- Health Care Demand is Derived from the Production of Health
- Optimal Health Care Demand
- Insurance and Health Care Demand

Set Piece: Points A, B, and C in Health Production and Health Care Demand

Book: Chapter 5 discusses this material more than adequately, going on at length about the factors influencing health care demand.

Megatopic 3: Value Creation in Health Care

(3 classes)

Main Topics:

- The Goal: Health Care for which Benefits $>$ Costs
- Measuring Health Benefits: QALYs
- Cost-Benefit & Cost-Effectiveness Analyses

Set Pieces: Applications to Childbirth and Depression

Book: Your book does an overly complicated job on this material, as I will have pointed out in class. Be able to do simple cost-benefit analyses and cost-effectiveness analyses, and understand the childbirth and depression readings.

Megatopic 4: Health Insurance: Demand and Supply (1 class)

Main Topics:

- Risk Spreading and Value Creation in Health Insurance
- Moral Hazard
- Adverse Selection

Set Piece: The Pot

Book: Chapter 6 does a nice, thorough job of this material, though it gets a little too graph-y or math-y in parts.

Megatopic 5: The Health Insurance Industry and Managed Care (2 classes)

Main Topics:

- Employer Based Insurance and Evolution of the U.S. Health Insurance Market
- Traditional Indemnity Insurance and Its Problems
- Managed Care and Its Features
- Evidence on the Effects of Managed Care

Set Piece: the Four Features of Traditional Indemnity Insurance, and What Replaced Them

Book: Chapter 7 does a nice job on the material.

UNIT 1 SYNOPSIS

This unit began by looking at health care in terms of its productivity. This motivates the demand for health care, and the idea that, for some health care, the benefits might not be worth the costs.

We then focused on an important feature of health care: much of it is paid for by insurance. In laying out the nature of insurance, we emphasized two important issues, moral hazard and adverse selection, that can lead to problems in health markets.

In addition to the immediate purpose of understanding these aspects of health economics, this unit lays the groundwork for thinking about the health system as a whole, identifying difficult problems every system has to address. This theme will be continued in the second and third units.

Unit 2 Outline

Megatopic 6: Competition and Pricing (1 class)

Main Topics:

- Characteristics of the Perfectly Competitive Market
- Pricing in a Perfectly Competitive Market
- What's So Great about Perfect Competition: Cost-Benefit and Cost-Effectiveness

Set Piece: Basic Supply/Demand Graph

Book: There is no book chapter on this material. But this stuff basically reviews and recasts micro principles.

Megatopic 7: Information and Quality (1 class)

Main Topics:

- Three Characteristics of Quality Information
- Three Types of Quality Information (from *The Bell Curve*)
- Types of Quality Problems
- Information and Pricing

Set Piece: THCIC

Book: There is no book chapter on this material—few economics texts present a general overview of the way that market forces impact quality.

Megatopic 8: The Physician Services Market (3 classes)

Main Topics:

- Physician Training, Licensure, and Practice Size
- Why the Physician Services Market Isn't Perfectly Competitive
- Competition, Entry, and Pricing in Physician Services
- Quality Issues in Physician Services

Set Piece: The discussion often used the perfectly competitive market as a benchmark. Then we saw how physician services adhered to, or deviated from, from this benchmark.

Book: The book chapter does a nice job, and overlaps the lecture reasonably well.

Megatopic 9: The Hospital Services Market (3 classes)

Main Topics:

- A Hospital Is a Business
- Why the Hospital Services Market Isn't Perfectly Competitive
- Pricing and Price Discrimination in Hospital Services
- Quality Issues in Hospital Services

Set Piece: The discussion often relied on the concepts covered in Megatopics 6 and 7: pricing in the perfectly competitive market and the effects of information problems.

Book: The book chapter does a nice job, and overlaps the lecture reasonably well.

UNIT 2 SYNOPSIS

This unit unfolded in three parts. First, we went through preliminaries: a systematic discussion of pricing and quality. Markets do both well when there is a lot of competition and consumers have good information. Second, we saw that this is not the case in the market for physician services. Third, we saw that this is not the case in the market for hospital services. This helps us understand why our free-market health system doesn't perform ideally, the way some other markets do, continuing the theme begun in Unit 1.

Unit 3 Outline

Megatopic 10: Basic Health Systems Concepts (parts of four classes)

Main Topics:

- Two Models of a Health Care System (Transactional Model, Health Production Model)
- Three Types of Health Care Systems (Beveridge, Bismarck, Out of Pocket)
- Issues Facing Health Care Systems (costs, quality, coverage, satisfaction)

Set Piece: The “payer, patient, provider” model of a health system.

Book: The book does a good job discussing the three types of health systems, but the other material relies more on lecture.

Megatopic 11: Health Systems Worldwide

(parts of four classes)

Main topics:

- History of the U.S. Health Care System
- International Health Systems: Basic Features
- Comparative Health Systems: Costs, Quality, Coverage, Satisfaction

Set Piece: The “payer, patient, provider” framework was used to give the history of the U.S. system and to lay out the basic features of other systems.

Book: The chapter does a nice job describing different countries’ health systems, supplemented by our reading from *The Healing of America*. The PowerPoint on Blackboard contains the slides that we used to compare health systems.

Megatopic 12: Controlling Costs, Enhancing Access (three classes)

Main Topics:

- Limiting Price
- Limiting Quantity
- Discouraging Utilization
- Medicare and Medicaid

Set Piece: The discussion was structured around the two justifications for government intervention in the market: efficiency and equity.

Book: The book chapter covers this material well. Also, we saw examples of each method of cost control in *The Healing of America*.

Megatopic 13: U.S. Health Reform (one class)

- Obamacare
- Alternatives to Obamacare, on Both Sides of the Political Spectrum (if time, which there probably won't be)

Set Piece: There was none.

Book: The chapter on the Affordable Care Act is helpful. Also, there are PowerPoints on this topic on Blackboard.

UNIT 3 SYNOPSIS

Much of this unit is built around two models of health systems, the “Transactional Model” introduced in the first lecture, and the “Health Production Model” that replaced it. With these, we described different health systems, reviewed the history of the U.S. health system, and motivated health care reform.

This unit built on the others, by looking at how different countries handle the issues of costs, coverage, quality, and quantity (utilization). Units 1 and 2 acquainted us with these issues, and Unit 2 emphasized that free markets don’t necessarily solve them when it comes to health care.

This motivated a look at the ways government is involved in different countries’ health systems, and also health reform in the U.S.—aka Obamacare.