Economics 126: Economics of Health and Medical Care
Syllabus

Stanford University
Fall 2007

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Meeting Times: MW 1:15pm-3:05pm
Meeting Place: Braun Auditorium
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Office Hours: Tuesday 11:00am-12:50pm, or by appointment

Course Summary
This course is an introduction to the field of health economics. Health economics is an active field of microeconomics with a large and growing literature. In the past decade, some of the most controversial policies considered by state and federal governments have involved issues that have been analyzed by health economists. This class will provide an introduction to the health care system in the U.S. We will discuss some of the key concepts that health economists use to analyze health care markets. Finally, we will apply these concepts to selected current issues in health policy.

Prerequisites
Students should have a firm grasp of microeconomics at the level of Intermediate Microeconomics. Students should also be comfortable with basic concepts in statistics. Much of the literature in health economics requires that readers be conversant in the language of statistics and econometrics, so we will review these as necessary.

Grading
The grade will be based on a midterm (35%) and a final (45%). In addition, there will be four problem sets that will count toward the final grade (20%). Problem sets will be due by 5pm in the mailbox assigned to this course in the economics department. Students may work in groups or individually on the problem sets, though each student in a group should turn in their own copy. Students who turn in a problem set will receive full credit for it. Performance on the examinations will no doubt be affected by the students’ understanding of the material on the problem sets.

The material covered on the examinations will come from the lecture notes, problem sets and required reading. If a student requests that some question on an examination be re-graded, the professor will review the entire examination. There will be no make-up midterm or final, so please plan ahead. This course will adhere to the rules described in the Economics Department Common Syllabus: (http://www-econ.stanford.edu/academics/economics_department_course_management.pdf).

Reading Assignments
The text for the course is The Economics of Health and Health Care, 5th Edition by Folland, Goodman, and Stano (FGS). All required and recommended readings will be available at the coursework website for the class at http://coursework.stanford.edu.
INTRODUCTION

1 Sept 24  The economic way of thinking about health care

Required readings:
• FGS, Ch. 1

Recommended readings:
• FGS, Ch.2 (highly recommended if your recollection of intermediate microeconomics is rusty).

THE PRODUCTION OF HEALTH

2 Sept 26  The demand for health care

Required readings:
• FGS, Ch. 4-5, 8 (4th edition) or Ch. 5-6, 9 (5th edition)

Recommended readings:

3 Oct 1  Human capital and health

Required readings:
• FGS, Ch. 6 (4th edition) or Ch. 7 (5th edition)

Recommended readings:
Econ 126 syllabus Fall 2007 Prof. Bhattacharya


4 Oct 3 Technological change and the price of health care

**Required readings:**
- FGS, Ch. 16 (4th edition); Ch. 17 (5th edition)

**Recommended readings:**

5 Oct 8 Hospitals and the theory of non-profits

**Problem Set #1 due**

**Required readings:**
- FGS, Ch. 13-14 (4th and 5th edition)

**Recommended readings:**

6 Oct 10 Physicians

**Required readings:**
- FGS, Ch. 15 (4th edition); Ch. 16 (5th edition)

**Recommended readings:**
HEALTH INSURANCE

7 Oct 15  Risk aversion and health insurance

Problem Set #2 handed out

Required readings:
- FGS, Ch.11 (4th and 5th edition)

Recommended readings:

8 Oct 17  Informational asymmetries and classification risk (1)

Required readings:
- FGS, Ch. 9 (4th edition); Ch. 10 (5th edition)

9 Oct 22  Informational asymmetries and classification risk (2)

Required readings:

Recommended readings:

10 Oct 24  Employer provision of health insurance

Guest lecture: Prof. M. Kate Bundorf

Required readings:
- FGS, Ch. 7 (4th edition); Ch. 8 (5th edition)

Recommended readings:
11 Oct 29  Midterm (Covers material presented in lectures 1-9)

12 Oct 31  Empirical Examinations of Insurance Markets

Required readings:

Recommended readings:

13 Nov 5  Managed care

Problem set #3 handed out

Required readings:
- FGS, Ch.12 (4th and 5th edition)

Recommended readings:

14 Nov 7  Medicare and Medicaid

Required readings:
- FGS, Ch.20 (4th edition); Ch. 21 (5th edition)

Recommended readings:
**Uninsurance: causes and consequences**

**Required readings:**

**Recommended readings:**

**TOPICS IN HEALTH ECONOMICS**

**The regulation of health care markets**

**Required readings:**
- FGS, Ch.17, 18, 19 (4th edition); Ch. 18, 19, 20 (5th edition)

**Recommended readings:**

**Epidemiologic epidemiology**

**Required readings:**
- FGS, Ch. 23 (4th edition); Ch. 24 (5th edition)

**Recommended readings:**

18 Nov 28  **The Economics of Obesity**

**Required readings:**

**Recommended readings:**

19 Dec 10  **Final — 8:30am-11:30am**