



HCMG2020|ECON0630

The Economics and Financing of Health Care Delivery

Fall 2022

Time: Mondays and Wednesdays, 1.45-3.15pm

Place: Huntsman Hall F70

Professor: Molly Candon (candon@wharton.upenn.edu)

Office Hours: Wednesdays from 12-1pm in the Colonial Penn Center (CPC) Faculty Lounge and Fridays from 10 to 11am in the CPC Basement. CPC is at 3641 Locust Walk. Enter on the right side for the Faculty Lounge. Enter on the left side for the basement.

Course Overview

By examining scarcity, incentives, and trade-offs, the Economics and Financing of Health Care Delivery will dissect critical issues that societies face when consuming, producing, delivering, and financing health care. We will discuss the difference between health, health insurance, and health care; the unique roles played by patients, providers, payers, and policymakers; and the economic phenomena that are pervasive in health care, including asymmetric information, externalities, market power, and the lack of price transparency. Special emphasis will be placed on insurance design, value-based payment models, market failures and the role of public and private policy solutions, and the implications of COVID-19.

Policies & Procedures

- Classes will be held in-person.
- All work must meet the standards of the University of Pennsylvania's Code of Academic Integrity. Lack of knowledge does not excuse a violation. You may work together on problem sets but your answers need to be in your own words. If a problem set asks for a specific article or topic (e.g., country), do not use the same one as others in your group.
- Phones, laptops, and other electronic devices must be put away during class. Exceptions will be made at the instructor's discretion.
- We will adhere to University's COVID-19 guidelines, which are subject to change based on the active case count. As of 8/31/22, masks are optional and encouraged but are not required in HCMG2020/ECON0630.
- However, all individuals who have a high-risk exposure to a confirmed case of COVID-19 should test immediately and then again five days after exposure, regardless of vaccination



status. They should continue to monitor for symptoms and wear a high-quality, well-fitting mask for 10 days post-exposure. If symptoms present, they should test immediately.

- For students who test positive for COVID-19, they should isolate at home for five days and then return to class wearing a mask for the next five days regardless of vaccination status.
- While the class focuses primarily on the U.S. health care system, students are more than welcome to discuss any country's system in any assignment.
- Do not begin questions by apologizing.

Course Materials

- Slides, assignments, and most readings will be available on Canvas. Readings for the next class will be announced in class or on Canvas.
- The *optional* textbook is Feldstein's Health Policy Issues: An Economic Perspective. Older editions are fine, but you are responsible for any chapter changes.
- Another excellent resource for the economic theory used in class is McCloskey's The Applied Theory of Price, which is available [here](#).
- For anyone interested in doing quantitative analysis for the final paper, check out Impact Evaluation in Practice from the [World Bank](#).

Grading

- Your final grade consists of three problem sets (10 points each), two in-class exams (20 points each), a research brief (25 points), and participation (5 points).
- The participation grade will be based on attendance and engagement, which could occur in class, during office hours, or via the Discussion tab on Canvas. The participation grade will be equally weighted using the instructor's assessment and the student's self-assessment.
- Letter grade cutoffs will be set at the end of the semester and will more-than-likely be the traditional ones (e.g., A is a 93+). There is no A+ option.
- Please expect a two-week turnaround on grades.
- Grade requests should be emailed to the instructor *within one week* of when assignments are handed back in class. In the email, please provide a screenshot of the original answer and a brief explanation of why you deserve points back.
- Due dates are in place to ensure that every student is graded using the same criteria. Barring a medical emergency, you will lose up to 20 points for a late assignment.
 - Problem Set 1: September 28 at 1.45pm
 - Problem Set 2: October 17 at 1.45pm
 - Exam 1: October 19 at 1.45pm
 - Problem Set 3: November 21 at 1.45pm
 - Exam 2: December 7 at 1.45pm
 - Research Brief: December 16 at 11.59pm



Course Schedule*

Introduction

August 31 | September 7, 12, 14

- Feldstein: Chapters 1-3
- Papanicolas I, Woskie LR, Jha AK. Health Care Spending in the United States and Other High-Income Countries. *JAMA*. 2018;319(10).
- Blumenthal D, Fowler EJ, Abrams M, Collins SR. Covid-19 - Implications for the Health Care System. *N Engl J Med*. 2020 Oct 8;383(15):1483-1488
- Courtemanche C, Garuccio J, Le A, Pinkston J, Yelowitz A. Strong Social Distancing Measures in the United States Reduced the COVID-19 Growth Rate. *Health Affairs*. 2020, 39(7).
- Magesh S, John D, Li WT, Li Y, Mattingly-App A, Jain S, Chang EY, Ongkeko WM. Disparities in COVID-19 Outcomes by Race, Ethnicity, and Socioeconomic Status: A Systematic-Review and Meta-analysis. *JAMA Netw Open*. 2021;4(11):e2134147.

Insurance & Demand

September 19, 21, 26, 28 | October 3, 5, 10, 12, 17

- Feldstein: Chapters 6-9, 20
- Arrow K. Uncertainty and the Welfare Economics of Medical Care. *American Economic Review*. 1963;53(5).
- Pauly M. The Economics of Moral Hazard. *American Economic Review*. 1968;58(3).
- Grossman M. On the Concept of Health Capital and the Demand for Health. *Journal of Political Economy*. 1972;80(2).
- Murphy KM, Topel RH. The Value of Health and Longevity. *Journal of Political Economy*. 2006;114(5).
- Finkelstein A, Taubman S, Wright B, Bernstein M, Gruber J, Newhouse JP, Allen H, Baicker A, and the Oregon Health Study Group. The Oregon Health Insurance Experiment: Evidence from the First Year. *Quarterly Journal of Economics*. 2012;127(3).
- Polsky D, Candon M, Saloner B, Wissoker D, Hempstead K, Kenney GM, Rhodes K. Changes in Primary Care Access Between 2012 and 2016 for New Patients with Medicaid and Private Coverage. *JAMA Internal Medicine*. 2017;177(4).

Exam 1

October 19

The Supply Side

October 24, 26, 31 | November 2, 7, 9, 14, 16

- Feldstein: Chapters 10-12, 14-17, 19, 24, 25, 28, 35
- Horrocks S, Anderson E, Salisbury C. Systemic review of whether nurse practitioners working in primary care can provide equivalent care to doctors. *BMJ*. 2002;324.



- Friedberg MW, Chen PG, White C, et al. Effects of Health Care Payment Models on Physician Practice in the United States. *RAND Health Quarterly*. 2015;5(1):8. *Please note that there is a long and short version of article. You are only expected to read the short version!
- Hobbs Knutson K, Wennberg D, Rajkumar R. Driving Access and Quality: Shift to Value-Based Behavioral Health Care. *Psychiatr Serv*. 2021 Aug 1;72(8):943-950.
- Werner R, Emanuel E, Pham HH, Navathe A. The Future of Value-Based Payment: A Road Map to 2030. Leonard Davis Institute White Paper. February 2021. *Please note that this is available under the Files tab.
- Munos B. Lessons from 60 years of pharmaceutical innovation. *Nature Reviews: Drug Discovery*. 2009;8:959-968.

Market Failures and Policy Solutions

November 21, 28, 30 | December 5

- Feldstein: Chapters 5, 13, 18, 26, 30, 34, 36
- Baicker K. Evidence, Anecdotes, and Health Policy. *JAMA Health Forum*. 2022;3(6):e222427.
- Brownson RC, Chiqui JF, Stamatakis KA. Understanding Evidence-Based Public Health Policy. *American Journal of Public Health*. 2009;99(9).
- Murray R, King JS, Delbanco SF, Lehan M. The State of State Legislation Addressing Health Care Costs and Quality. *Health Affairs Blog*. August 22, 2019. Available [here](#).

Exam 2

December 7

Research Brief Due

December 16

*This is a tentative schedule. Changes will be announced in class or on Canvas.