

SENIOR CAPSTONE IN ECONOMICS
ECONOMICS 4999-005 (CTW)
CRN 15790
SPRING 2016

Time: Monday and Wednesday 12:00-1:15
Room: Langdale Hall 425
Professor: Charles Courtemanche
Office: Andrew Young School of Policy Studies 532
Phone: 404-413-0082
E-mail: ccourtemanche@gsu.edu
Office hours: By appointment

Course Objectives:

This capstone section focuses on the economics of health policy. Specifically, by the end of the semester you should understand:

- 1) Why reforms to the U.S. health care system are needed and how economic principles can help guide our evaluation of possible reforms;
- 2) The economics behind policy options to improve health behaviors;
- 3) Key details of the Affordable Care Act of 2010 (i.e. “Obama Care”) and the economic logic behind it;
- 4) Alternative proposals for health care reform (i.e. “repeal and replace”) and the economic logic behind them; and
- 5) Key details about the health care systems in several other countries, with a particular focus on their approaches (if any) to attaining universal coverage.

Readings:

There is no required textbook. Readings will come from various sources, including popular press and academic journal articles.

Prerequisites:

ECON 3900, ECON 3910, two 4000-level Economics courses, or permission of the instructor

Course Requirements:

Tracking Exam	5%
Exam 1	27%
Exam 2	27%
Book Review	25%
Group Presentation	16%

Tracking Exam:

An exam of 33 multiple choice questions testing basic principles of micro and macroeconomics will be given the second day of class (**Jan. 13**). A second exam will be given later in the course (**Apr. 6**). The higher of the two scores on this exam will count as 5% of your course grade. If you miss either of the exams, you will receive a 0 for the

attempt that you miss. There are no make-ups for this exam.

Exams:

You will have two (major) exams, on **Feb. 24** and **Apr. 11**. The second exam will not be cumulative. The exams will consist of multiple choice, fill-in-the-blank, short answer, and math sections. Make-up exams will only be granted for well-documented excused absences, and you must make every possible effort to inform me *prior* to the exam if such a situation arises.

Book Review – Critical Thinking through Writing (CTW) Designation:

Another component of your grade will be a review of a book of your choosing (subject to my approval) related to health policy. You must notify me (through email) of your first choice of book by **Feb. 10**; failure to do so will result in a loss of 10 points (out of 100) on your book review. The final review is due through email by **April 29**. Late reviews will be penalized at a rate of 10 points per calendar day, and may also result in you receiving a temporary grade of “incomplete” for the course. The review must be a minimum of 5 full pages (using one-inch margins, double-spaced, Times New Roman, 12 font, no more than three header lines on the first page) and a maximum of 7. Your review can be organized however you want, but should include the following components: the introduction, summary of the book, discussion of aspects of the book you liked and disliked (based on sound economic reasoning), conclusion, and references. You must incorporate economic concepts and provide a detailed, thoughtful analysis of the book, not simply a summary. The best reviews will critically evaluate the book through the eyes of a health economist, using the concepts learned in this and other economics courses. Be sure to thoroughly cite your sources; failure to do so will be treated as plagiarism

Group Presentation:

Students will be randomly divided into 8 groups of approximately 4-5 students to prepare a group presentation on a particular country’s health care system. We will set aside the last 4 days of class for these presentations: **Apr. 13, Apr. 18, Apr. 20, and Apr. 25**. Each group will get to choose the country they wish to study (subject to my approval) and will be responsible for half the class session (~35 minutes) on the assigned day. Responsibilities include assigning the class a reading at least two days in advance and preparing and a Power Point lecture, with all group members presenting in roughly equal proportions. You may also wish to involve other students in the class in some way (e.g. class discussion), but the extent to which you do this is up to you. Upon completion of the project, you will have the opportunity to fill out a group members’ evaluation sheet that will be available on Desire2Learn. Grades assigned to students within a particular group may vary depending on the feedback of other group members (and based on my assessment of each individual’s oral presentation). Note that attendance is mandatory even on days when your group is not presenting; an unexcused absence during another group’s presentation will result in a 5 point (out of 100) deduction from your own presentation grade.

Class Attendance and Participation:

I expect regular class attendance. While attendance is not explicitly a part of your grade, it would be extremely difficult to do well in this course without regular attendance.

Lectures will occupy most of our class time (other than on the presentation days), but the timeliness and policy relevance of the topics will often lead to discussions, and I expect active participation in these. Additionally, I may ask questions during lectures to make sure that you are understanding the material. Similarly, active participation “from the audience” during group presentations is also expected.

Important Dates:

First Day of Class: 1/11

Last Day of Class: 4/25

No Class: 1/18 (MLK Day) and 3/14-3/16 (spring break)

Tracking Exam Dates: 1/13 and 4/6

Course Exam Dates: 2/24 and 4/11

Book Review Book Choice Due Date: 2/10

Book Review Due Date: 4/29

Group Presentations: 4/13-4/25

Course Outline:**I. Background****A. Why Reform?****i. Rising Costs**

a. Long-Run Trends (Chernew and Newhouse, 2012)

b. Causes (Chernew and Newhouse, 2012)

c. Recent Changes (Chandra et al., 2013)

ii. Access Limitations (Moonshinge et al., 2013)**B. Economic Principles to Guide Reform (Arrow, 1963)****i. Third-Party Payers****ii. Principal-Agent Problem****iii. Barriers to Entry****iv. Moral Hazard****v. Adverse Selection****vi. Economies of Scale****II. Public Policies for Health Behaviors**

A. Introduction to Health Behaviors (Cawley and Ruhm, 2011, section 1)

B. Time Inconsistency (Cawley and Ruhm, 2011, sections 2.g, 3.c, 3.e)

C. Market Failures in Health Behaviors (Cawley and Ruhm, 2011, sections 3.b, 4.c)

D. Policy Options (Cawley and Ruhm, 2011, sections 2.d and 5)

III. Obama Care

A. Objectives (Gruber, 2011, Sections I and II)

B. Universal Coverage

i. Three Legged Stool (Gruber, 2011, Sections I and II)

- ii. Health Insurance Exchanges (Read the article available at <http://www.bloombergtake.com/quicktake/health-insurance-exchanges>)
 - iii. Dependent Coverage Expansion (Barbaresco et al., 2015, first three paragraphs Section I)
 - iv. New Medicare Benefits (Read <http://www.medicare.gov/about-us/affordable-care-act/affordable-care-act.html>)
- C. Cost Control
- i. Paying for Universal Coverage (Gruber, 2011, paragraph overlapping pp. 6-7)
 - ii. Long-Run Strategies (Gruber, 2011, only full paragraph on p. 7; Robert Wood Johnson Foundation, 2013; Cutler, 2011)
- D. Projections and Early Effects
- i. Massachusetts Reform (Gruber, 2013)
 - ii. Medicaid (<http://www.nber.org/oregon/>)
 - iii. Dependent Coverage Expansion (Barbaresco et al., 2015, last 8 paragraphs of Section 1 (starting first full paragraph on p. 55), also Section 7)
 - iv. Early Impacts of ACA (Courtemanche et al., 2015; <http://www.hhs.gov/news/press/2014pres/09/20140916a.html>; <https://www.americanprogress.org/issues/healthcare/report/2013/10/23/77537/theaffordable-care-acts-lower-than-projected-premiums-will-save-190-billion/>; <http://kff.org/health-reform/issue-brief/analysis-of-2015-premium-changes-in-the-affordable-care-acts-health-insurance-marketplaces/>; <http://www.heritage.org/research/reports/2015/03/2015-aca-exchange-premiums-update-premiums-still-rising>; <http://www.thetowntalk.com/story/news/2015/01/21/millennials-premiumshigher-affordable-care-act/22136383/>)

IV. Repeal and Replace

- A. Critiques of Obama Care (http://www.slate.com/articles/news_and_politics/politics/2014/11/obamacare_faq_everything_you_need_to_know_about_why_conservatives_want_to.2.html)
- B. Alternatives (<http://healthpolicyandmarket.blogspot.com/2015/02/a-detailed-analysis-of-republican.html>)

V. International Health Care Systems (student presentations)

Full Citations for Publications/Working Papers Listed Above:

Section I

Arrow, Kenneth (1963). "Uncertainty and the Welfare Economics of Medical Care." *American Economic Review*, 53(5): 941-973.

Chandra, Amitabh, Jonathan Holmes, and Jonathan Skinner (2013). "Is This Time Different? The Slowdown in Healthcare Spending." National Bureau of Economic

Research Working Paper #19700.

Chernew, Michael and Joseph Newhouse (2012). “Health Care Spending Growth.” Chapter 1, *Handbook of Health Economics Volume 2*. Elsevier.

Moonesinghe, Ramal, Man-huei Chang, and Benedict Truman (2013). “Health Insurance Coverage – United States 2008 and 2010.” Centers for Disease Control and Prevention Morbidity and Mortality Weekly Report, November 22, 2013, 62(03): 61-64.

Section II

Cawley, John and Christopher Ruhm (2011). “The Economics of Risky Health Behaviors.” National Bureau of Economic Research, Working Paper #17081.

Section III

Barbaresco, Silvia, Charles Courtemanche, and Yanling Qi (2015). “Impacts of the Affordable Care Act Dependent Coverage Provision on Health-Related Outcomes of Young Adults.” *Journal of Health Economics*, 40: 54-68.

Courtemanche, Charles, James Marton, and Aaron Yelowitz (2015). “Who Gained Insurance Coverage in 2014, the First Year of Full ACA Implementation?” Working paper, Georgia State University.

Cutler, David (2011). Notes for lecture “Cost Containment in the ACA”.

Gruber, Jonathan (2011). “The Impacts of the Affordable Care Act? How Reasonable are the Projections.” National Bureau of Economic Research, Working Paper #17168.

Gruber (2013). “Evaluating the Massachusetts Health Care Reform.” *Health Services Research*, 48(6): 1819-1824.

Robert Wood Johnson Foundation (2013). “Excise Tax on ‘Cadillac’ Plans.” *Health Affairs Policy Brief*.

Academic Honesty:

Students are expected to abide by GSU’s Policy on Academic Honesty (Section 409), available at <http://www2.gsu.edu/~wwwfhh/sec409.html>.

AYS Career Services & Student Life Office:

<http://aysps.gsu.edu/career>

The Andrew Young School provides career planning services & student leadership opportunities (student clubs & organizations) to all current AYS students and alumni.

AYS Career Services can help students with resume writing, interviewing, job searching, internship development, preparing for graduation school, and networking. Students are invited to attend our career events and workshops, and individualized career counseling appointments can be arranged. To see what career panels, career fairs, and events are available this semester, please visit: <http://aysps.gsu.edu/career/calendar>. The office also supports all AYS student clubs and organizations – so read about the various groups within the college, and join one today: <http://aysps.gsu.edu/career/student-organizations>. *The AYS Career Services & Student Life office is located on the ground floor of the Andrew Young Building, in rooms G47-51.*

The course syllabus provides a general plan for the course; deviations may be necessary.