

**HEALTH ECONOMICS AND POLICY**  
**ECONOMICS 8210-005**  
**CRN 88196**  
**FALL 2015**

Time: Tuesdays and Thursdays 11:00-12:15  
Room: Langdale 317  
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Office hours: By appointment

**Course Description:**

This course introduces students to several policy-relevant topics within the field of health economics: 1) challenges facing the health care system, 2) the human capital model of health, 3) socioeconomic status and health, 4) health insurance and health, 5) economic models of addiction, 6) the economics of smoking, and 7) the economics of obesity.

**Course Objectives:**

By the end of the semester, you should understand:

- 1) Challenges facing the health care system, including rising costs, access limitations, and market failures;
- 2) How health can be modeled in a human capital framework, and the limitations of such an approach;
- 3) The literature's key conclusions regarding the link between socioeconomic status (as measured by income and education) and health;
- 4) The literature's key conclusions regarding how health insurance influences the demand for health and medical care, as well as how these results help predict the effects of the health care reform law of 2010;
- 5) The strengths and weaknesses of economic models of addiction;
- 6) The economic causes of smoking; and
- 7) The economic causes of obesity.

**Prerequisite:**

ECON 8080 or PAUS 8141 or ECON 3910 or ECON 8100, Microeconomics or equivalent (including first year economics PhD micro), or permission of instructor.

**Course Format:**

Class meetings will largely consist of lectures based on the corresponding readings. The last four days will be reserved for student presentations.

**Grading:**

Paper	25%
Presentation	15%
Midterm Exam	25%

Final Exam	25%
Class Participation	10%

**Paper:**

Each student will write a paper on a current health policy debate of his/her choice, subject to my approval. The paper should involve an introduction to the policy issue, a summary of the different sides of the debate, and an *evidence-based* assessment of these positions. You should cite academic articles to justify your conclusion. Grading will be based on the quality of your argument and research, not based on which particular conclusion you reach. There is no specific page requirement, but somewhere in the vicinity of 7-10 double spaced pages would be a good target. The paper is due (hard copy or email) by the start of class on November 12.

**Presentation:**

The last four class meetings – November 17 and 19 and December 1 and 3 – will be set aside for student presentations of the policy issue/findings from your papers. Your presentation should be 15 minutes and will be followed by ~5 minutes of audience questions. Handling of these questions will count toward the presenter's grade, while asking of these questions is a good way to help your class participation score.

**Exams:**

You will have two exams, a midterm and final. The midterm exam will be on October 6 (normal class time), while the final exam will be on December 10 (10:45-1:15). The final exam will not be cumulative.

**Class Attendance and Participation:**

Class attendance and active participation is expected. Participation is worth 10% of your grade.

**Important Dates:**

First Day of Class: 8/25

Last Day of Class: 12/3

No Class: 11/24 and 11/26 (Thanksgiving break)

Presentation Days: 11/17, 11/19, 12/1, 12/3

Midterm Exam: Tuesday 10/6

Final Exam: Thursday 12/10, 10:45-1:15

**Academic Honesty:**

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

## **Course Outline:**

### **I. Challenges Facing Health Care System**

#### A. Rising Costs

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 in *Handbook of Health Economics, Vol. 2*, 1-43.

#### B. Access Limitations

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.

#### C. Market Failures

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

### **II. Human Capital Model of Health**

Grossman, Michael (2000). "The Human Capital Model." Chapter 7 in *Handbook of Health Economics, Vol. 1*, 347-408.

### **III. Socioeconomic Status and Health**

#### A. Income

Smith, James (1999). "Healthy Bodies and Thick Wallets: The Dual Relationship Between Health and Economic Status." *Journal of Economic Perspectives*, 13(2), 145-166.

Section 1c, 2e from Cawley, John, and Christopher Ruhm (2011). "The Economics of Risky Health Behaviors." Chapter 3 in *Handbook of Health Economics, Vol. 2*, Ch. 3, 95-199.

#### B. Education

Cutler, David and Adriana Lleras-Muney (2008). "Education and Health: Evaluating Theories and Evidence." Chapter 2 in *Making Americans Healthier: Social and Economic Policy as Health Policy*. New York: Russell Sage Foundation.

Section 1c, 2b from Cawley, John, and Christopher Ruhm (2011). "The Economics of Risky Health Behaviors." Chapter 3 in *Handbook of Health Economics, Vol. 2*, Ch. 3, 95-199.

## **IV. Health Insurance and Health**

### A. Theory

Levy, Helen and David Meltzer (2004). “What Do We Really Know about Whether Health Insurance Affects Health?” Chapter 4 in *Health Policy and the Uninsured*, pp. 179-204. Washington, D.C.: The Urban Institute Press.

### B. Randomized Experiments

Finkelstein Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph Newhouse, Heidi Allen, Katherine Baicker, and The Oregon Health Study Group (2012). “The Oregon Health Insurance Experiment: Evidence from the First Year.” *Quarterly Journal of Economics*, 127(3), 1057-1106.

Manning, Willard, Joseph Newhouse, Naihua Duan, Emmett Keeler, Arleen Leibowitz, and M. Susan Marquis (1987). “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment.” *American Economic Review*, 77(3), 251-77.

### C. Natural Experiments

Card David, Carlos Dobkin, and Nicole Maestas (2009). “Does Medicare Save Lives?” *Quarterly Journal of Economics*, 124(2), 597-636.

Currie, Janet and Jonathan Gruber (1996a). “Health Insurance Eligibility, Utilization of Medical Care, and Child Health.” *Quarterly Journal of Economics*, 111(2), 431-466.

### D. Health Care Reform

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

Courtemanche, Charles and Daniela Zapata (2014). “Does Universal Coverage Improve Health? The Massachusetts Experience.” *Journal of Policy Analysis and Management*, 33(1), 36-69.

## **V. Economics of Addiction**

Sections 2c, 2g, 3c, 3e of Cawley, John, and Christopher Ruhm (2011). “The Economics of Risky Health Behaviors.” Chapter 3 in *Handbook of Health Economics, Vol. 2*, 95-199.

Becker, Gary and Kevin Murphy (1988). “A Theory of Rational Addiction.” *Journal of Political Economy*, 96(4), 675-700.

Gruber, Jonathan and Botond Kosegi (2001). “Is Addiction ‘Rational’? Theory and Evidence.” *Quarterly Journal of Economics*, 116(4), 1261-1303.

## **VI. Economics of Smoking**

Chaloupka, Frank and Kenneth Warner (2000). “The Economics of Smoking.” Chapter 29 in *Handbook of Health Economics, Vol. 1*, 1539-1627.

Sections 1, 2f, 3b from Cawley, John, and Christopher Ruhm (2011). “The Economics of Risky Health Behaviors.” Chapter 3 in *Handbook of Health Economics, Vol. 2*,

## **VII. Economics of Obesity**

### A. Theory

Cutler, David, Edward Glaeser, and Jesse Shapiro (2003). “Why Have Americans Become More Obese?” *Journal of Economic Perspectives*, 17, 93-118.

Ruhm, Christopher (2012). “Understanding Overeating and Obesity.” *Journal of Health Economics*, 31, 781-796.

Courtemanche, Charles, Garth Heutel, and Patrick McAlvanah (2015). “Impatience, Incentives, and Obesity.” *Economic Journal*, 125, 1-31.

### B. Evidence

Courtemanche, Charles, Joshua Pinkston, Christopher Ruhm, and George Wehby (2015). “Can Changing Economic Factors Explain the Rise in Obesity?” National Bureau of Economic Research Working Paper No. 20892.

Anderson, Patricia and Kristin Butcher (2006). “Childhood Obesity: Trends and Potential Causes.” *The Future of Children*, 16(1), 19-45.

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