ECON 410 Spring 2024 Syllabus
Professors Barcellos and Prados

Econ 410: Economics of Health and Healthcare

University of Southern California
Spring 2024

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Class Time: Mon/Wed 2:00-3:20pm VPD 116 (classes will be in-person only; lectures will not be streamed or posted online)

Course Description
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 three decades, some of the most controversial policies considered by state and federal governments have involved issues that have been analyzed by health economists, including policies related to the COVID-19 Pandemic. In addition to COVID-19, in the course we will study uninsurance and the Affordable Care Act (ACA). We will also cover topics such as measurement and determinants of health, health disparities, unhealthy behaviors and health insurance. The goal of this course is twofold. One is to better understand the economic theory of health and healthcare. We will study several economic models in detail, including models of health, addiction, demand for healthcare and demand for insurance. The emphasis will be on key economic concepts that health economists use to analyze health and healthcare markets. The second goal of the class is to learn to evaluate and interpret empirical findings in health economics. We will read some of the papers to understand the findings reported in those papers.

Learning Objectives
By the end of the course, the students will be able to understand the economic principles behind the supply and demand of medical care, the components of the main health care systems around the world, and the challenges faced by health care policy. The students will be able to understand the main findings and basic methodology of research papers in health economics.

Prerequisite(s): Intermediate Microeconomics (ECON 303)
The course is appropriate for junior and senior students who are familiar with microeconomic methods and basic calculus.
**Recommended Preparation:** If your recollection of intermediate microeconomics is rusty, I strongly recommend you read the chapters on consumer demand theory in any good intermediate microeconomics textbook (such as Hal Varian’s Intermediate Microeconomics: A Modern Approach)

**Course Notes**
Copies of lecture slides and other class information will be posted on Blackboard. It is forbidden to repost this material in any way or form.

**Textbook and Readings**

Besides the textbook (which I encourage you to buy or rent) we will read some academic papers. Required readings are listed under each topic. These readings will be available on Blackboard or online. In addition to the required readings, optional readings are also listed. These can be found online. Adequately citing optional readings in the exams, problem sets or class discussion will result in extra credit.

For both the required and optional papers you should focus on the motivation behind the analysis and the main findings, as well as how they complement what we discuss in class. Skimming or skipping the more technical parts of these readings is fine.

**Description and Assessment of Assignments**
Assessment in the first half of this course will take place in form of 2 problem sets, in-class participation, and 2 in-class midterm examinations.
Assessment in the second half of this course will consist of two problem sets, in-class participation, a group presentation about a policy case study, and a final examination.

**Assignment Submission Policy:** Problem sets must be submitted via Blackboard on the due date/time. Late problem sets will not be accepted. The solutions to the problem sets will be posted on Blackboard after the due date.

**Class Participation:** Class discussion is important for both individual and collective learning. The following points characterize effective participation:
- Do comments draw on the text and materials from this and other courses?
- Do they show evidence of analysis?
- Does the student distinguish between opinion and well-supported analysis? Normative and positive issues?
- Are the points made substantive? Do they advance or deepen the discussion/analysis?
- Do comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being considered? Is there an attempt to synthesize the discussion?

**Grading Breakdown**
**Part 1 – 50% of total course grade:**
- Problem Sets: 20%
- Midterm Exam 1: 30%
Class Participation: 10%
Midterm Exam 2: 40%

**Part 2 – 50% of total course grade:**
- Class Participation: 10%
- Problem Sets: 15%
- Group Presentation: 30%
- Midterm Exam 2: 45%

**Regrade Policy**
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. Makeup exams will be offered only under extenuating circumstances (e.g. serious injuries), so please plan ahead.

**Academic Conduct**
Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism SCampus, Section 11, Behavior Violating University Standards [https://policy.usc.edu/student/scampus/part-b](https://policy.usc.edu/student/scampus/part-b). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, [http://policy.usc.edu/scientific-misconduct/](http://policy.usc.edu/scientific-misconduct/).

Discrimination, sexual assault, intimate partner violence, stalking, and harassment are prohibited by the university. You are encouraged to report all incidents to the Office of Equity and Diversity/Title IX Office [http://equity.usc.edu](http://equity.usc.edu) and/or to the Department of Public Safety [http://dps.usc.edu](http://dps.usc.edu). This is important for the health and safety of the whole USC community. Faculty and staff must report any information regarding an incident to the Title IX Coordinator who will provide outreach and information to the affected party. The sexual assault resource center webpage [http://sarc.usc.edu](http://sarc.usc.edu) fully describes reporting options. Relationship and Sexual Violence Services [https://engemannshc.usc.edu/rsvp](https://engemannshc.usc.edu/rsvp) provides 24/7 confidential support.

**Support Systems**
A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more.

Students whose primary language is not English should check with the American Language Institute [http://ali.usc.edu](http://ali.usc.edu), which sponsors courses and workshops specifically for international graduate students.

The Office of Disability Services and Programs [http://dsp.usc.edu](http://dsp.usc.edu) provides certification for students with disabilities and helps arrange the relevant accommodations. Please keep in mind that delay in getting a disability certification for the current semester may hinder the availability or facilitation of those accommodations in a timely manner. Therefore, it is in your best interest to
get your certification as early in the semester as possible and communicate your accommodation needs to your professor.

If an officially declared emergency makes travel to campus infeasible, USC Emergency Information [http://emergency.usc.edu](http://emergency.usc.edu) will provide safety and other updates, including ways in which instruction will be continued by means of Blackboard, teleconferencing, and other technology.
Course Schedule

1. Introduction to Health Economics

   1.1. The economic way of thinking about health

BHT, Ch. 1


Optional Readings:


1.2. Health care spending – some facts


Optional Readings:
NIHCM Data Brief, July 2012. The Concentration of Health Care Spending.


1.3. Health determinants and long run trends


Optional Readings:

2. Economic Models of Health

2.1. Demand for Health Care

BHT, Ch. 2
Optional Readings:


2.2. Demand for Health: the Grossman Model

BHT, Ch. 3

Optional Readings:


3. Health Disparities

BHT, Ch. 4


**Optional Readings:**


4. Health Insurance

4.1. Demand for Health Insurance

BHT, Ch. 7

**Optional Readings:**


4.2. Moral Hazard

BHT, Ch. 11

4.3. Adverse Selection: Akerlof’s Market for Lemons
BHT, Ch. 8


Optional Readings:

4.4. Adverse Selection: the Rothschild-Stiglitz Model

BHT, Ch. 9

Optional Readings:

4.5. Adverse Selection in Real Markets

BHT, Ch. 10

Optional Readings:


4.6. Public Insurance: Medicaid and Medicare

BHT, Ch.18

Optional Readings:


5. **Unhealthy Behavior: Evidence and Policy Issues**

BHT, Ch. 22


**Optional Readings:**


6. **Supply of Health Care**

BHT, Ch. 5 & 6

**Optional Readings:**


Chan, David and Yiqun Chen (2022, NBER wp 30608) “The Productivity of Professions: Evidence from the Emergency Department”


Fischer, Royer, White (2022 NBER wp 30141) “Health Care Centralization: The Health Impacts of Obstetric Unit Closures in the US”

7. Pharmaceuticals and Innovation

BHT, Ch. 12 - 14


Optional Readings:


8. Health Policy

BHT, Ch. 15-18

Kaiser Family Foundation, April 2013. “Summary of the Affordable Care Act”

Optional Readings:


Wherry, Laura, Sarah Miller, Robert Kaestner, and Bruce Meyer “Childhood Medicaid Coverage and Later Life Health Care Utilization.” 2015, NBER Working Paper No. 20929


9. Economic Epidemiology

BHT, Ch. 21


Optional Readings:


10. The Behavioral Economics of Health

BHT, Ch. 23 & 24


Optional Readings: