University of Victoria
Department of Economics

Economics 524
Health Economics
Spring 2014

Instructor	Chris Auld
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	BEC 374
Office hours	Mondays and Thursdays, 2:00-3:00, or drop–in, or by appointment
Course page	http://web.uvic.ca/~auld/e524.html
Course location	BEC 363
Meeting time	Monday and Wednesday, 10:00–11:20

Course description.

The course is a survey of selected issues in modern health economics. Beginning with a discussion of integrating health into standard economic models, we will proceed to discuss selected influential papers on a variety of topics. More emphasis will be placed on the analysis of health behaviors, such as smoking, than on the health care system itself. Health economics is a heavily empirical field and many of the papers discussed will be applied econometrics, and much of the course will fous on discussion of econometric methods of particular importance in health economics.

Topics may include:

- Dynamic models of demand for health following Grossman (1971).
- Income, income inequality, and health.
- Issues in estimating causal effects using observational microdata with emphasis on the causes and consequences of health.
- Economics of tobacco, alcohol, and other drugs.
- Modeling physician behavior.
- Economic epidemiology.
- The economics of obesity.

Textbook and reading list.

There is no assigned textbook for this course; we will instead focus on journal articles. Students are, however, encouraged to obtain a copy of an undergraduate health economics text. Recommended texts are:

Folland, S., A. Goodman, and M. Stano (2010). *The economics of health and health care*, 6^{th} ed., Pearson.

Hurley, J. (2010). *Health economics*, McGraw–Hill Ryerson, 1st Ed.

I will also assume that students have access to (at least) an advanced undergraduate econometrics textbook and are familiar with microeconometric methods at at least that level.

Course topics will depend in part on the interests of the class. A reading list will be distributed the second week of class, following class discussion.

Software.

Stata will be used extensively in classroom discussion. Assignments and exams will involve estimating models using real data; students may use whichever statistical package they wish, but *Stata* is recommended.

Grading.

Grading weights are

Midterm examination	30
Assignments	30
Final examination	40.

Percentage scores are mapped into letter grades according to: A+ ($>$ 90), A (85–89), A- (80–84), B+ (77–79), B (73–76), B- (70–72), C+ (65–69), C (60–64), D (50–59), F ($<$ 50). Further, a passing grade on the final examination is required to obtain a passing grade in the course.

If, for some reason, the distribution of grades determined using the aforementioned conversion chart appears to be abnormal the instructor reserves the right to change the grade conversion chart if the instructor thinks it is necessary to more fairly represent student achievement.

Officially, students are reminded that they must comply with the regulations published in the University Calendar concerning "Intellectual Honesty," "Examinations," etc. Unofficially, be warned that cheaters will receive no quarter.

Exams.

A date for the midterm exams will be given during the first week of class. The **only** valid excuse to miss the midterm exam is an illness verified by a doctor's note. In such cases, the weight that would otherwise be placed on the exam will be redistributed proportionately to the assignment and the final.

Attendance.

Students are expected to attend class, although no marks will be assigned for attendance. Students are responsible for all material covered in lectures whether or not they attend any lecture for any reason.

Contacting the Instructor.

Questions regarding class material should usually be posed during class or in person during office hours; please do not ask me to provide lengthy, technical explanations over e-mail. However, feel free to email me very short questions about course content, or about administrative matters. You are welcome to drop by my office outside of office hours so long as you are not offended if I am too busy to talk with you.

Course policies.

The academic integrity and other policies of the Faculty of Graduate Studies, described here:

http://web.uvic.ca/calendar2011/GRAD/FARe/index.html

are in effect.

The University of Victoria is committed to providing an environment that affirms and promotes the dignity of human beings of diverse backgrounds and needs.

Readings.

This list is tentative and may be changed at any time depending on the interests of the class and the instructor. Papers are grouped by topic but we may read them in a different order.

1. **Private demand for health.**

   Grossman, M. (1972) "On the concept of health capital and the demand for health," Journal of Political Economy, 80: 223-255.

   Case, A. and C. Paxson (2006) "Stature and status: Height, ability, and labor market outcomes," NBER #12466.

   Grossman, M. and T. Joyce (1990) "Unobservables, pregnancy resolutions, and birth weight production functions in New York City," Journal of Political Economy, 98(5):983–1007.

   Ried, W. (1988) "Comparative dynamic analysis of the full Grossman model," Journal of Health Economics, 17(4):383-425.

2. **Education and health.**

   LLeras-Muney, A. (2005) "The relationship between education and mortality in the United States," Review of Economic Studies, 72(1):189-221.

   LLeras-Muney, A. and D. Cutler (2012) "Education and health: Insights from international comparisons," NBER #17738.

   Eide, E. and M. Showalter (2011) "Estimating the relation between health and education: What do we know and what do we need to know?" Economics of Education Review, 30(5):778-791.

   Berger and Leigh (1989) "Schooling, self-selection, and health," Journal of Human Resources, 24:533-555.

   Cutler, D. and A. Lleras-Muney (2010) "Understanding differences in health behaviors by education," Journal of Health Economics, 29(1):1-28.

   Auld, M. (2006) "Using observational data to identify the effects of health related behavior." In A. Jones (ed) Elgar Companion to Health Economics.

   Angrist, J. and A. Krueger (2001) "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," Journal of Economic Perspectives, 15(4):69–85.

3. **Income, income inequality, and health.**

Pickett, K. and R. Wilkinson (2007) "Child wellbeing and income inequality in rich societies: ecological cross sectional study," British Medical Journal, 335.

Deaton, A. (2003) "Health, Inequality, and Economic Development," Journal of Economic Literature, 41(1) 113-158.

Deaton, A. and C. Paxson (2001) "Mortality, Education, Income, and Inequality among American Cohorts," in Themes in the Economics of Aging, pages 129-170, NBER.

Schmeiser, M. (2009) "Expanding Waistlines and Wallets: The Impact of Family Income on the BMI of Women and Men Eligible for the Earned Income Tax Credit." Health Economics 18(11): 1277-1294.

Subramanian, S. (2004) "Income inequality and health: What have we learned so far," Epidemiological Reviews, 26(1): 78–91.

Lynch et al (2005) "Is income inequality a determinant of population health? Part 1: A systematic review," Milbank Quarterly, 82(1):5-99.

Frijters, P., J. Haisken-DeNew, and M. Shields (2005) "The causal effect of income on health: Evidence from German reunification," Journal of Health Economics, 24(5):997–1017.

Asgeirsdottir et al (2012) "Are recessions good for your health behaviors? Impacts of the economic crisis in Iceland," NBER working paper #182333.

4. **Smoking, drinking, and other substance use.**

Becker, G. and K. Murphy (1988) "A theory of rational addiction," Journal of Political Economy, 96:675-700.

Becker, G., M. Grossman, and K. Murphy (1994) "An empirical analysis of cigarette addiction," American Economic Review, 84(3):396-418.

Gruber, J. and B. Koszegi (2001) "Is addiction rational? Theory and evidence," Quarterly Journal of Economics 116(4):1261-1305.

Auld, M.C. and Grootendorst, P. (2004) "An empirical analysis of milk addiction," Journal of Health Economics 23:1117-1133.

Markowitz, S. et al (2012) "Estimating the relationship between alcohol policies and criminal violence and victimization," NBER #17918.

DiNardo, J. and T. Lemiuex (2001) "Alcohol, marijuana, and American youth: the unintended consequences of government regulation," Journal of Health Economics, 20(6):991-101.

Parry, I. and S. West (2009) "Fiscal and externality rationales for alcohol policies," Contributions to Economic Analysis and Policy, 9(1), article 29.

5. **Obesity.**

Chou, S,, M. Grossman, and H. Saffer (2004) "An Economic Analysis of Adult Obesity: Results from the Behavioral Risk Factor Surveillance System," Journal of Health Economics, 23 (3), 565-587.

Anderson, M. and D. Matsa (2009) "Are Restaurants Really Supersizing America?" Working paper, Northwestern University.

Currie, J. et al (2009) "The effect of fast food restaurants on obesity," working paper, UC Berkeley.

Auld M. and L. Powell (2009) "Economics of food energy density and adolescent body weight," Economica. 76(304):719-740.

Auld, M. and P. Grootendorst (2011) "Challenges for causal inference in obesity research," in J. Cawley, ed., Handbook of the Social Science of Obesity, Oxford.

Lakdawalla, D. and T. Philipson (2009) "The growth of obesity and technological change," Economics and Human Biology, 7(3): pages 283-293.

Sen, A., M. Entezarkheir, and A. Wilson (2010) "Obesity, smoking, and cigarette taxes: Evidence from the Canadian Community Health Surveys," Health Policy, in press.

6. **Physician behavior, patient behavior, health insurance.**

Rothschild, M. and J. Stiglitz (1976) "Equilibrium in competitive insurance markets: An essay on the economics of imperfect information," Quarterly Journal of Economics, 90(4), pp629–649.

McGuire, T. (2000) "Physician agency," Handbook of Health Economics, 1, 461–536.

Dranove, D. and P. Wehner (1994) "Physycian–induced demand for childbirths," Journal of Health Economics 13:61–73.

Pauly, M. (1968), "The Economics of Moral Hazard" American Economic Review, 58: 531-37.

Manning et al (1987) "Health insurance and demand for medical care: Evidence from a randomized experiment," American Economic Review, 77(3):251-277.

Martin, S., N. Rice, and P. Smith (2008) "Does health care spending improve health outcomes? Evidence from English programme budgeting data," Journal of Health Economics, 27(4):826–842.

Baicker, K. S. Mullainathan, and J. Schwartzstein (2012) "Behavioral hazard in health insurance," NBER No. 18468.

7. **Economic epidemiology.**

   Auld, M. C. (2006) "Estimating behavioral response to the AIDS epidemic," Contributions to Economic Analysis and Policy, 5(1), Article 12.

   Philipson, T. (2000) "Economic epidemiology and infectious diseases," in Culyer and Newhouse (ed) Handbook of Health Economics, vol 1, chapter 33, 1761-1799.

   Mechoulan, S. (2007) "Risky sexual behavior, testing, and new HIV treatments," Forum for Health Economics and Policy, 10(2), article 5.

8. **Evaluating health care programs.**

   Textbook treatments of cost-effectiveness analysis in health care.

   McClellan, M. B. McNeil, J. Newhouse (1994) "Does more intensive treatment of acute myocardial infarction in the elderly reduce mortality?" Journal of the American Medical Association, 272(11):859–866.

   Viscusi, W. Kip (1993) "The value of risks to life and health." Journal of Economic Literature, 31(4): 1912-46.