

THE UNIVERSITY OF  
NEW SOUTH WALES



Australian School of Business  
School of Economics

**ECON 4307 / ECON 6307**

**HEALTH ECONOMICS**

**Course Outline**  
**Semester 1, 2009**

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## **1 STAFF CONTACT DETAILS**

Lecturer-in-charge: Dr Shiko Maruyama

Room: Quadrangle Building, Room Q3116 (Green)

Phone No: 9385 3386

Email: [s.maruyama@unsw.edu.au](mailto:s.maruyama@unsw.edu.au)

Consultation Times – Tuesdays 1:30 – 4:30 pm.

### **1.1 Communications with staff**

You should feel free to contact the lecturer about any course specific inquiries. The lecturer may be contacted by email, during consultation time or by appointment. Specific consultation hours will be posted on the course website.

Some information concerning administrative matters may also be obtained from the School of Economics Office on the fourth floor of the ASB Building.

## **2 COURSE DETAILS**

### **2.1 Teaching Times and Locations**

Monday 2 pm – 5pm, ASB 232.

### **2.2 Units of Credit**

The course is worth 6 units of credit.

This course is taught in parallel to undergraduate (BEC Honours students) (ECON4307) and postgraduate students in the MEd and PhD programs (ECON 6307).

### **2.3 Summary of Course**

Welcome to ECON 4307 / 6307! This is a course intended for honours and post-graduate students who are interested in health economics.

Health care has become a dominant economic and political issue in many countries and the area of health economics is rapidly growing and developing. ECON 4307/6307 provides a broad introduction to the subject of health economics as an applied microeconomics field. The course also looks at empirical methods useful in

studying topics in health economics. Finally, policies and current issues facing policy makers and researchers in the area of health are reviewed.

The subject is suitable both for those students interested in microeconomics applied to the area of health economics and to students interested in current public policy issues in the provision of health and health care. Students who aim to write a PhD or Honours thesis on health or health-related topics are especially encouraged.

The course consists of lecturers, including lectures by visitors, and tutorial student presentations. The assessment consists of student presentations (25%), tutorial participation (20%), and a term paper (55%).

## **2.4 Prerequisite and Relationship to Other Courses**

ECON 4307/6307 is an option available for students enrolled in an Honours or Post-graduate program in Economics or Commerce. The course relies considerably on microeconomic methods. Economic concepts and tools such as those learned in Microeconomics II and Advanced Economic Analysis are assumed knowledge in the course. Additional microeconomic tools appropriate for the analysis of health economics will be reviewed in class.

In addition, this course requires students to read academic empirical papers and to write an empirical term paper. Hence, your knowledge of introductory econometrics is a minimum requirement, and intermediate or advanced knowledge of econometrics, for example your completion of two econometrics courses such as ECON2206 and ECON2207, is strongly recommended.

## **2.5 Aims**

In this course, we will review economic approaches to the understanding of markets for health care and more generally the behaviour of agents involved in the provision and consumption of health care. We also discuss characteristics that are integral to health economics namely information problems, insurance, government intervention and the institutional environment generally. Students are exposed to the widest possible range of perspectives and are encouraged to form their own critical evaluation of the current state of health care provision in Australia and other countries. In addition, special attention will be paid to how to critically read challenging recent empirical papers.

The course aims to provide benefits to students in terms of:

- An understanding of the underlying economic frameworks appropriate to study health and health care.
- Knowledge of market failures in the provision of health care and the justifications for government policy.
- An appreciation of the different market environments in which health and health policy decisions must be made.
- The ability to use a rational approach in the evaluation of government intervention and programs in health.
- The ability to critically and appropriately evaluate health economics research papers.
- Experience to form own original research question, conduct research and write a scientific research paper in health economics.

## 2.6 Student Learning Outcomes

On completion of the course, students should be able to:

1. Demonstrate an understanding of the basic economic concepts used in the study of health economics;
2. Apply appropriate economic tools to analyse the behaviour of the various agents in the provision and consumption of health care;
3. Describe the major government programs and institutional features in the provision of health care in Australia and the debates currently surrounding these programs;
4. Demonstrate knowledge of the main empirical tools used in the analysis of issues in health economics; and
5. Critically evaluate and discuss empirical research in this field.

### Graduate Attributes

Course Learning Outcomes	ASB Graduate Attributes
1, 2, 3, 4, 5	1. Critical thinking and problem solving
1, 2, 3, 4	2. Communication
1, 2, 3	3. Teamwork and leadership
1, 2, 3	4. Social, ethical and global perspectives
1, 2, 3, 4, 5	5. In-depth engagement with relevant disciplinary knowledge
1, 2, 3, 4, 5	6. Professional skills

### **3 LEARNING AND TEACHING ACTIVITIES**

#### **3.1 Approach to Learning and Teaching in the Course**

The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: [www.guidelinesonlearning.unsw.edu.au](http://www.guidelinesonlearning.unsw.edu.au). Specifically, the lectures, problem sets, class discussion and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and the lecturer and among students (in and out of class). The lecturer aims to provide meaningful and timely feedback to students to improve learning outcome.

#### **3.2 Learning Activities and Teaching Strategies**

The course provides a broad survey of issues in health economics and an in-depth discussion of the main government programs and institutional features affecting health care in Australia. A specific list of topics and readings is provided further below in the Schedule of Lectures.

##### *Lectures*

The purpose of the lectures is to provide a logical structure for the topics that make up the course; to provide the necessary background enabling the students to understand the material; to provide guidance in the choice and the usage of the appropriate economic tools; to emphasise important concepts and methods for each topic; to provide and discuss relevant examples to which the concepts and methods are applied; and to motivate and mediate discussions of current issues in health economics using economic methods.

##### *Tutorials*

The purpose of the tutorials is to provide an opportunity for students to discuss the issues covered in the lectures and in the assigned readings; to present related material and extend the coverage of the lectures; to provide practice questions and answers; to get feed-back from both the lecturers and the other students in the class.

Students are expected to work through all the tutorial readings assigned each week and participate in the discussion surrounding the assignments. Normally tutorial assignments will review and extend the previous week's lecture material and will allow students to assess their level of understanding of the material.

### *Term Paper*

In this course students will write an end-of-session term paper. In principle, students can choose any topic as long as it is substantially related to health economics. It should be an empirical academic research paper with solid contribution to the health economics literature. This is not only for the sake of assessment. Through this project, students are expected to learn further the issues and frontier of health economics as well as how to form and write a research paper. As such, students are expected to start their project early by finding research questions and obtaining data to be used. Students will be given an opportunity to present their work on Sep 28<sup>th</sup> to the class to seek feedback.

### *Out-of-Class Study*

While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An "ideal" strategy (on which the provision of the course materials is based) might include:

- Reading of the assigned material before the lecture. This will give you a general idea of the topic area.
- Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic is explained. More complex material is reviewed using a variety of techniques and examples to allow more in-depth understanding.
- Complementing the lecture notes using assigned and suggested readings and identifying areas where more study or help is needed.
- Reading all the material to be covered in the next week's tutorial and preparing discussion questions to be asked during the tutorials. This should be done after the lecture and before the following week's tutorial.

## 4 ASSESSMENT

### 4.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100; and
- make a satisfactory attempt at all assessment tasks (see below).

### 4.2 Assessment Details

Assessment Task	Weighting	Learning Outcomes assessed	ASB Graduate Attributes assessed	Due Date
Tutorial Presentations	25%	1, 2, 3, 5	1, 2, 3, 5, 6	
Tutorial Participation	20%	1, 2, 3, 5	1, 2, 3, 5, 6	
Term Paper	55%	1, 2, 4, 5	1, 2, 4, 5, 6	5:00 pm, Friday 6 November
Total	100%			

### 4.3 Tutorial Assessment

Tutorial assignments will be provided in lectures and on the website. Each week a student will be asked to present pre-assigned reading material. The presentations are to be concise and to last around 20-30 minutes; half hour discussion follows each presentation. Students responsible for the presentation of a reading must also present a written document that will be made available to the others for future study. The written documents are to be typed and handed in electronic format (graphs can be hand-written and handed in on paper) either before the class presentation or in the week following the presentation (this will allow the incorporation of any useful comments from the class discussion). The documents will be posted on the website. Students who do not present or not hand in their discussion document will be given a mark of ZERO for this component of the assessment. Depending on the class size, students may be allowed to present in groups.

While generally only one student is required to present each allocated paper, all other students should come to tutorials prepared to participate in the class



discussion. All students will be expected to ask questions on the assignments and contribute to the discussion surrounding the presentations.

The tutorial presentation mark (out of 25) will be awarded on the basis of the presentation and the accompanying written document. The additional 20% will be awarded on the basis of general participation in tutorials.

#### **4.4 Term Paper**

The end-of-session assessment will consist of a term paper worth 55% of the overall grade. This paper will be due no later than on **Friday November 6<sup>th</sup>, 5:00pm**. The paper should be less than 5,000 words (about 400 per page so 12 pages) without counting tables and diagrams. Students should email a title to the lecturer and get approval by Monday August 31<sup>st</sup>, 5:00pm.

Further details on the format and length of the paper will be given in a separate document and posted on the web.

#### **4.5 Late Submission**

Assignments submitted late will not be marked. Early submission is encouraged.

An extension on the due date for the term paper *may* be offered to students who could not meet the deadline due to illness or other extraordinary circumstances that can be documented by the student. UNSW policy and process for Special Consideration applies.

See: <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>

### **5 ACADEMIC HONESTY AND PLAGIARISM**

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For UNSW's policies, penalties, and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html> as well as the guidelines in the online ELISE tutorial for all new UNSW students: <http://info.library.unsw.edu.au/skills/tutorials/InfoSkills/index.htm>.

### **6 COURSE EVALUATION AND DEVELOPMENT**

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

## **7 STUDENT RESPONSIBILITIES AND CONDUCT**

Students are expected to be familiar with and adhere to university policies in relation to class attendance and general conduct and behaviour, including maintaining a safe, respectful environment; and to understand their obligations in relation to workload, assessment and keeping informed.

Information and policies on these topics can be found in the 'A-Z Student Guide': <https://my.unsw.edu.au/student/atoz/ABC.html>. See, especially, information on 'Attendance and Absence', 'Academic Misconduct', 'Assessment Information', 'Examinations', 'Special Consideration', 'Student Responsibilities', 'Workload' and policies such as 'Occupational Health and Safety'.

### **7.1 Workload**

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on assignments and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

### **7.2 Attendance**

Your regular and punctual attendance at lectures is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

### 7.3 Keeping Informed

You should take note of all announcements made in lectures or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.

## 8 STUDENT RESOURCES AND SUPPORT

The University and the ASB provide a wide range of support services for students, including:

- **ASB Education Development Unit (EDU)** ([www.business.unsw.edu.au/edu](http://www.business.unsw.edu.au/edu))

Academic writing, study skills and maths support specifically for ASB students. Services include workshops, online and printed resources, and individual consultations. EDU Office: Room GO7, Ground Floor, ASB Building (opposite Student Centre); Ph: 9385 5584; Email: [edu@unsw.edu.au](mailto:edu@unsw.edu.au)

- **UNSW Learning Centre** ([www.lc.unsw.edu.au](http://www.lc.unsw.edu.au))

Academic skills support services, including workshops and resources, for all UNSW students. See website for details.

- **Library training and search support services:**

<http://info.library.unsw.edu.au>

- **UNSW IT Service Desk:** Technical support for problems logging in to websites, downloading documents etc. Library, Level 2; Ph: 9385 1333.

Website: [www.its.unsw.edu.au/support/support\\_home.html](http://www.its.unsw.edu.au/support/support_home.html)

- **UNSW Counselling Service** (<http://www.counselling.unsw.edu.au>)

Free, confidential service for problems of a personal or academic nature; and workshops on study issues such as 'Coping With Stress' and 'Procrastination'.

Office: Level 2, Quadrangle East Wing ; Ph: 9385 5418

- **Student Equity & Disabilities Unit** <http://www.studentequity.unsw.edu.au>)

Advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning. Office: Ground

Floor, John Goodsell Building; Ph: 9385 4734

## 9 COURSE RESOURCES

### 9.1 Course Website

The website for this course is on WebCT Vista. The website will contain copies of all course handouts, lecturer notes, readings, and announcements. Students should consult this website at least once a week as it contains important information about the course. It will be assumed that all students have seen any notice posted on the course website. Support for Vista can be found at:

<http://support.vista.elearning.unsw.edu.au>

### 9.2 Textbooks

There is no required text for the course but some material is taken from the following three texts:

Folland, S., A.C. Goodman and M. Stano, *Economics of Health and Health Care*, Fifth Edition, Pearson Prentice Hall, 2006 (the 6<sup>th</sup> edition will become available in August 2009)

Gruber, J., *Public Finance and Public Policy*, 2nd edition, Palgrave Macmillan, February, 2007

Culyer, A.J. and J.P. Newhouse (eds.) *Handbook of Health Economics*, Volumes 1A and 1B, North-Holland, Elsevier Science, 2000

The first (from here on FGS) is an undergraduate textbook and will be useful in providing background material as well as an intermediate level discussion of the course material. The second is another excellent undergraduate textbook, which covers broader topics in public finance and public policy with many examples from health economics. The third text (from here on HHE) presents more advanced material and is also useful in providing surveys of the literature. The second volume (1B) of the Handbook of Health Economics deals with more specialized topics.

All texts will be kept on open reserve at the Library.

### 9.3 Other Readings

The below is the list of reading material for tutorial presentation.

#### Demand for Health and Health Care

Behrman, J. and B. Wolfe. 1989. 'Does More Schooling Make Women Better Nourished and Healthier?: Adult Sibling Random and Fixed Effects Estimates for Nicaragua,' *Journal of Human Resources*, 24, 644-63.

Cameron, A., P. Trivedi, F. Milne, and J. Piggott. 1988. 'A Microeconomic Model of the Demand for Health Care and Health Insurance in Australia.' *Review of Economic Studies*, 55, 85-106.

Case, A., D. Lubotsky and C. Paxson 2002. 'Economic Status and Health in Childhood: The Origins of the Gradient.' *American Economic Review*, 92(5), 1308-1334.

Case, A. and A. Deaton 2004. 'Broken by Work and Sex: How our Health Declines', Princeton University Discussion Paper.

Currie, A., M.A. Shields and S.W. Price. 2004. *Is the Child Health / Family Income Gradient Universal? Evidence from England*, IZA Discussion Paper No.1328.

Currie, J. and M. Stabile. 2003. 'Socioeconomic Status and Child Health: Why Is the Relationship Stronger for Older Children'. *American Economic Review*, 93(5), 1813-1823.

Currie, J. 2004. 'Viewpoint: Child Research Comes of Age.' *Canadian Journal of Economics*, 37(3), 509-527.

\* Two articles by J Currie should be presented together.

Manning, W., J. Newhouse, N. Duan, E. Keeler, A. Leibowitz, and M. Marquis. 1987. 'Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment.' *American Economic Review*, 77, 251-277.

Wagstaff, A. 1986. "The Demand for Health: Some New Empirical Evidence." *Journal of Health Economics* 5: 195-233.

## **Information and Insurance**

Feldman, R. and B. Dowd. 1991. 'A New Estimate of the Welfare Loss of Excess Health Insurance.' *American Economic Review*, 81, 297-301.

Feldman, R., M. Finch, B. Dowd, and S. Cassou. 1989. 'The Demand for Employment-Based Health Insurance.' *Journal of Human Resources*, 24, 115-142.

Finkelstein, A. and K. McGarry. 2003. *Private information and its effect on market equilibrium: new evidence from long-term care insurance*, NBER Working Paper 9957. (<http://www.nber.org/papers/w9957>)

Keeler, E., J. Newhouse, and C. Phelps. 1977. 'Deductibles and the Demand for Medical Care Services: The Theory of a Consumer Facing a Variable Price Schedule under Uncertainty.' *Econometrica*, 45, 641-655.

Viscusi, K. and W. Evans. 1990. 'Utility Functions that Depend on Health Status: Estimates and Economic Implications.' *American Economic Review*, 80, 353-374.

## **Healthy and Risky Behaviour, Smoking, Obesity.**

Avery, R., D Kenkel, D Lillard, and A Mathios, 2007. "Private Profits and Public Health: Does Advertising of Smoking Cessation Products Encourage Smokers to Quit?" *Journal of Political Economy*, 115(3), 447-481.

Becker, G., M Grossman, K Murphy, 1994. "An Empirical Analysis of Cigarette Addiction," *American Economic Review*, 84(3), 396-418.

Kenkel, D. 1991. 'Health Behavior, Health Knowledge, and Schooling,' *Journal of Political Economy*, 99, 287-305.

## **Health Care Industry**

Chandra, A. and D. Staiger, 2007. "Productivity Spillovers in Health Care: Evidence from the Treatment of Heart Attacks," *Journal of Political Economy*, 115(1), 103-140.

Gaynor, M. and W. Vogt. 2003. 'Competition Among Hospitals.' *Rand Journal of Economics*, 34, 764-785.

Dranove, Shanley, and Simon, 1992. "Is Hospital Competition Wasteful?" *RAND Journal of Economics*, 23(2), 247-262.

Dranove, D., D. Kessler, M. McClellan and M. Satterthwaite. 2003. 'Is More Information Better? The Effects of Health Care Quality Report Cards.' *Journal of Political Economy* 111.

Duggan, M. and F. Morton. 2006. 'The Distortionary Effects of Government Procurement: Evidence for Medicaid Prescription Drug Purchasing.' *Quarterly Journal of Economics*, February, 1-30.

### **The Relationship Between Health and Employment**

Berger, M. and B. Fleisher. 1984. 'Husband's Health and Wife's Labor Supply.' *Journal of Health Economics*, 3, 63-75.

Gilleskie, D. 1998. 'A Dynamic Stochastic Model of Medical Care Use and Work Absence.' *Econometrica*, 66: 1, 1-45.

Gruber, J. and B. Madrian. 1995. 'Health Insurance Availability and the Retirement Decision.' *American Economic Review*, 85, 938-948.

Haveman R., B. Wolfe, B. Kreider, M. Stove. 1994. 'Market Work, Wages, and Men's Health.' *Journal of Health Economics*, 13, 163-182.

Paringer, L. 1983. 'Women and Absenteeism: Health or Economics?' *American Economic Review*, 73, 123-127.

### **Evaluation Method, Public Health, and Other Topics**

Almond, D. 2006. "Is the 1918 Influenza Pandemic Over? Long-Term Effects of *In Utero* Influenza Exposure in the Post-1940 U.S. Population," *Journal of Political Economy*, 114(4), 672-712.

Murphy, K. and R. Topel. 2006. "The Value of Health and Longevity," *Journal of Political Economy*, 114(5), 871-904.

Additional reading material is assigned on the detailed schedule of lectures further below. The reading material will be made available on the website. Further reading material may also be assigned during the semester.



## 10 LECTURE SCHEDULE

The following schedule is tentative. Not necessarily all of the following topics will be taught. The depth and inclusion of topics will be adapted to the size, interest and composition of the class.

The first part of the course deals with basic issues of health and health care. The demand and supply sides of health care, information problems and the provision of health insurance are discussed. We conclude the first part with a review of empirical evaluation techniques used in health economics.

The second part of the course looks at the key players in the provision of health care and the current institutional and policy environment surrounding health care in Australia. Specialists in the field will present lectures on topics in the area. These topics are chosen to reflect the areas of expertise of the presenters and also to address recent debates and policy reforms in the provision of health care in Australia.

Background readings in basic microeconomic concepts and econometric techniques are in:

FGS, Chapters 2 and 9 (microeconomic concepts and the theory of consumer demand).

FGS, Chapter 3 (basic econometric tools).

In the following, \* indicates required readings which will be covered during lectures.

**July 20, Week 1**

**Introduction, Health Capital,  
and Demand for Health and Health Care.**

\*Arrow, K. 1963. "Uncertainty and the Welfare Economics of Medical Care."  
*American Economic Review*, 53, 941-973.

\*Grossman, M. 1972. "On the Concept of Health Capital and the Demand for Health." *Journal of Political Economy*, 82, 223-255.

Becker, G. 1965. "The Theory of the Allocation of Time." *The Economic Journal*, 75, 493-517.

Fuchs, V. 1983. *Who Shall Live?* New York: John Wiley & Sons.

Grossman, M. 1972. *The Demand for Health: A Theoretical and Empirical Investigation*, New York: Columbia University Press.

Pauly, M. 1983. "Is Medical Care Different?" in *Issues in Health Economics*. W. Greenberg (ed.), Washington: Bureau of Economics, FTC.

Pauly, M. 1988. "Is Medical Care Different? Old Questions, New Answers." *Health Politics, Policy & Law*, 13, 227-238.

FGS, Chapters 1 (Introduction), Chapter 5 (The production of health), 6 (The production, cost, and technology of health care), 7 (Demand for health capital), 18 (Equity, efficiency, and need), 22 (Comparative health care systems and health system reform).

HHE, Chapter 7 (The human capital model).

#### **July 27, Week 2 and August 10, Week 4**

#### **Information and Insurance**

\*FGS, Chapter 8 (Demand and Supply of Health Insurance).

\*FGS, Chapter 10 (Asymmetric information and agency).

\*Ehrlich, I. and G. Becker. 1972. 'Market Insurance, Self-Insurance, and Self-Protection.' *Journal of Political Economy*, 80, 623-648.

\*Pauly, M. 1968. 'The Economics of Moral Hazard: Comment' *American Economic Review*, 58, 531-536.

\*HHE, Chapter 11 Appendix (The anatomy of health insurance).

FGS, Chapter 11 (The organization of health insurance markets).

HHE, Chapter 8 (Moral hazard and consumer incentives in health care).

Rothschild, M. and F. Stiglitz. 1976. 'Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information'. *Quarterly Journal of Economics*, 90(4), 629-649.

### **August 17, Week 5**

### **Evaluation Methods**

\*Blundell, R. and M. Costa Dias. 2000. 'Evaluation Methods for Non-Experimental Data,' *Fiscal Studies*, 21(4), pp. 427-468.

\*Burtless, G. 1995. 'The Case for Randomized Field Trials in Economic and Policy Research'. *Journal of Economic Perspectives*, 9(2), pp. 63-84.

\*Heckman, J.J., H. Ichimura and P. Todd 1997. 'Matching as an Econometric Evaluation Estimator: Evidence from Evaluating a Job Training Programme.' *The Review of Economic Studies*, 64(4) Special Issue, pp. 605-654.

Wooldridge, J.M. 2002. *Econometric Analysis of Cross Section and Panel Data*, MIT Press, Chapter 18, pp. 603-644.

FGS, Chapter 16 (Health care labor markets and professional training).

### **August 24, Week 6 and August 31, Week 7**

#### **Recent developments in private health insurance in Australia**

**Guest Lecturer: Associate Professor Elizabeth Savage, CHERE**

Barrett, G. and R. Conlon. 2003. 'Adverse Selection and the Decline in Private Health Insurance Coverage in Australia: 1989-95.' *Economic Record*, Vol. 79 No. 246 September, 279-296.

- Buchmueller, Thomas C, Denzil Fiebig, Glenn Jones, and Elizabeth Savage. 2009. "Advantageous Selection in Private Health Insurance: The Case of Australia," mimeo.
- Ellis R, Savage E, 2008. "Run for Cover Now or Later? The impact of premiums, threats and deadlines on supplementary private health insurance in Australia", *International Journal of Health Care Finance and Economics*, 8, 257-277 doi: 10.1007/s10754-008-9040-4.
- Doiron D, Jones G, Savage E, Healthy, Wealthy and Insured? The Role of Self-Assessed Health in the Demand for Private Health Insurance, 2008, *Health Economics*, 17: 317-334
- Fiebig, Denzil, Elizabeth Savage, Rosalie Viney, "Does the Reason for Buying Health Insurance Influence Behaviour?" mimeo.
- Frech, H.E. and S. Hopkins 2004. 'Why Subsidise Private Health Insurance?' *Australian Economic Review*, 37(3), pp. 243-256.
- Hall, J., and E. Savage 2005. 'The role of the private sector in the Australian healthcare system' in Maynard, A. (ed.), *The public-private mix for health* Radcliffe Publishing Ltd, Abingdon, pp. 247-278.
- Harper, I.R. 2003 'Health Sense: When Spending Money Saves Money' *Policy*, 19(3) pp. 19-24.
- Lu M, Savage E, Do financial incentives for supplementary private health insurance reduce pressure on the public system? Evidence from Australia, *CHERE Working Paper 2006/11*, CHERE, Sydney, 2006)
- Savage E, Wright D, 2003, Moral Hazard and Adverse Selection in Australian Private Hospitals: 1989-90, *Journal of Health Economics*, 22: 331-359
- Vaithianathan, R. 2004. 'A critique of the private health insurance regulations' *Australian Economic Review*, 37(3), pp. 257-270.

**Readings for student presentation:**

Buchmueller T, DiNardo J, 2002, 'Did Community Rating Induce an Adverse Selection Death Spiral? Evidence from New York, Pennsylvania, and Connecticut' *American Economic Review*, 92(1) 280-294.

Ellis, RP. McGuire TG, 2007 'Predictability and Predictiveness in Health Care Spending' *Journal of Health Economics*. 26: 25–48

Gans, J. and S. King 2003. 'Anti-insurance: analysing the health insurance system in Australia' *Economic Record* 79(247) pp. 473- 486.

**September 7 Mid-Semester Break**

**September 14, Week 8 and September 21, Week 9**

**Measuring and Valuing Health Outcomes**

**Guest Lecturer: Associate Professor Rosalie Viney, CHERE**

Torrance, G. 1986. 'Measurement of Health State Utilities for Economic Appraisal: A Review'. *Journal of Health Economics* 5, pp. 1-30.

Bleichrodt, H. and J. Quiggin 1999. 'Life-cycle preferences over consumption and health: when is cost-effectiveness analysis equivalent to cost benefit analysis?' *Journal of Health Economics*, 18, pp. 681-708.

Hammit, J. 2002. 'QALYs Versus WTP.' *Risk Analysis* 22, pp. 985-1001.

Bleichrodt, H., P. Wakker and M. Johannesson 1997. 'Characterizing QALYs by Risk Neutrality' *Journal of Risk & Uncertainty*, 15, pp. 107-14.

Topic: Applying the QALY concept in decision making

Birch, S. and A. Gafni 1992. 'Cost effectiveness/utility analyses. Do current decision rules lead us to where we want to be?' *Journal of Health Economics*, 11, pp. 279-296.

Devlin, N. and D. Parkin 2004. 'Does NICE have a cost-effectiveness threshold and what other factors influence its decisions? A binary choice analysis.' *Health Economics*, 13, pp. 437-452.

**Readings for student presentation:**

**Multi-attribute Utility Instruments and Their Development**

(1) First topic: EQ-5D

Dolan, P., C. Gudex, P. Kind and A. Williams 1996. 'The time trade-off method: results from a general population study.' *Health Economics*, 5, pp. 141-154.

Dolan, P., 1997. Modeling valuations for EuroQol health states. *Medical Care* 35, 1095-1108.

Note: These papers both report the same research - it is generally helpful to read both as the details of the research are not sufficiently reported in the first paper.

(2) Second topic: SF-6D

Brazier, J., J. Roberts M. and Deverill 2002. 'The estimation of a preference-based measure of health from the SF-36.' *Journal of Health Economics*, 21, pp. 271-92.

(3) Third topic: Drug coverage decisions

Harris, A.H., S.R. Hill, G. Chin, J. Li, and E. Walkom, 2008. "The Role of Value for Money in Public Insurance Coverage Decisions for Drugs in Australia: A Retrospective Analysis 1994-2004," *Medical Decision Making*, OnlineFirst, published on March 31, 2008 as doi:10.1177/0272989X08315247.

The following papers may also be helpful for students. These papers report on a different MAUI, which makes different assumptions about the form of the utility function.

Roberts, J. and P. Dolan 2004. To what extent do people prefer health states with higher values? A note on evidence from the EQ-5D valuation set', *Health Economics*, 13, pp. 733-7.

Brazier, J., Roberts, J., Tsuchiya, A., Busschbach, J., 2004. A comparison of the EQ-5D and SF-6D across seven patient groups. *Health Economics* 13 (9), 873-884.

Feeny, D.H., Furlong, W.J., Torrance, G.W., Goldsmith, C.H., Zenglong, Z., Depauw, S., Denton, M., Boyle, M., 2002. Multiattribute and single-attribute utility function the health utility index Mark 3 system. *Medical Care* 40 (2), 113-128.

Torrance, G.W., Feeny, D.H., Furlong, W.J., Barr, R.D., Zhang, Y., Wang, Q., 1996. Multiattribute utility function for a comprehensive health status classification system: health utility index Mark 2. *Medical Care* 34 (7), 702-722.

**September 28, Week 10                      Student Presentation**

**October 5                      Labour Day**

**October 12, Week 11 and October 19, Week 12**

**Health Care Financing and Incentives**

**Guest Lecturers: Professor Jane Hall, CHERE**

Baker, L. C. 1997. 'The Effect of HMOs on Fee for Service Health Care Expenditures: Evidence from Medicare'. *Journal of Health Economics*, 16, pp. 453-81.

Commonwealth of Australia, 2009. *National Health and Hospitals Reform Commission: A healthier Future for all Australians*. Final Report June 2009. <http://www.health.gov.au/internet/main/publishing.nsf/Content/nhhrc-report>

Ellis, R. and T. McGuire. 1988. 'Insurance Principles and the Design of Prospective Payment Systems.' *Journal of Health Economics*, 7(3), pp. 215-38.

- Enthoven, A. and R. Kronick 1989. 'A consumer-choice health plan for the 1990s. Universal health insurance in a system designed to promote quality and economy(1).' *New England Journal of Medicine*, 320(1), pp. 29-37.
- Enthoven, A. and R. Kronick 1989. 'A consumer-choice health plan for the 1990s. Universal health insurance in a system designed to promote quality and economy(2).' *New England Journal of Medicine*, 320(2), pp. 94-101.
- Feachem, R. G. A., N.K. Sekhri, 2002. 'Getting more for their dollar: a comparison of the NHS with California's Kaiser Permanente'. *British Medical Journal*, 324(7330), pp. 135-141.
- Feldstein M, 2006. 'Balancing the goals of health care provision and financing.' *Health Affairs*, 25(6) 1603-1611.
- Goddard, M., and R. Mannion 1998. 'From competition to co-operation: new economic relationships in the National Health Service'. *Health Economics*, 7(2), pp. 105-19.
- Hall, J. 2004. *Can we design a market for competitive health insurance?* CHERE Discussion Paper No. 53.
- Hsu, J., et al., 2006. 'Unintended consequences of caps on Medicare drug benefits', *New England Journal of Medicine*, 354(22), pp. 2349-59.
- Jin, G.Z. and A.T. Sorensen 2006. 'Information and consumer choice: the value of publicized health plan ratings', *Journal of Health Economics*, 25(2) pp. 248-275.
- Oliver, A. 2005. 'The English National Health Service: 1979-2005', *Health Economics*, 14(S1): S75-S99.
- Pauly, M. V. 2000. 'Insurance reimbursement' in Culyer, A. J., and J. Newhouse (eds.) *Handbook of Health Economics*, Volume 1A, Elsevier, Amsterdam, pp. 537-560.



- Rice, N. and P. C. Smith, 2001. 'Capitation and risk adjustment in health care financing: an international progress report.' *Milbank Quarterly* 79(1), pp. 81-113.
- Scotton, R. 1999. 'Managed competition' in Mooney, G. and R. Scotton (eds.) *Economics and Australian Health Policy*. Allen & Unwin, Sydney, pp. 214-231.
- Strombom, B.A., T.C. Buchmueller, and P.J. Feldstein, 2002. 'Switching costs, price sensitivity and health plan choice', *Journal of Health Economics*, 21(1), pp. 89-116.
- Van de Ven, W. P. M. M. and R.P. Ellis 2000. 'Risk adjustment in competitive health plan markets' in Culyer, A. J., and J. Newhouse (eds.) *Handbook of Health Economics*, Volume 1A, Elsevier, Amsterdam, pp. 754-845.
- Van de Ven, W, Schut, F, Risk equalization in an individual health insurance market: the only escape from the trade-off between affordability, efficiency and selection. The Netherlands as a case study. [http://www.fresh-thinking.org/docs/workshop\\_070503/PaperVandeVenSchut02apr07.pdf](http://www.fresh-thinking.org/docs/workshop_070503/PaperVandeVenSchut02apr07.pdf).

**Readings for student presentation:**

- Dusheiko M, Gravelle H, Smith P, 2006. "The effect of financial incentives on gatekeeping doctors: evidence from a natural experiment," *Journal of Health Economics*, 25(3), pp. 449-478.
- Martin S, Rice N, Smith PC, 2008. "Does health care spending improve health outcomes? Evidence from English programme budgeting data," *Journal of Health Economics*, 27, 826-842.
- Jones G, Savage E, van Gool, K. 2008. "The distribution of household expenditures in Australia," *The Economic Record*, 84, S99-S114.
- Mas N, Seinfeld J, 2008. "Is managed care restraining the adoption of technology by hospitals?" *Journal of Health Economics*, 27,1026-1045.

Nassiri A, Rochaix L, 2006. "Revisiting physicians' financial incentives in Quebec: a panel system approach," *Health Economics*, 15,49-64.

Scott A, Schurer S, Jensen PH, Sivey P, 2009. "The effects of an incentive program on quality of care in diabetes management," *Health Economics*, 18: 1091-1108.